

# NJEIT

New Jersey Environmental Infrastructure Trust

# Annual Report

## SFY 2011



View of Barnegate Bay Lighthouse in Ocean County, NJ

# NJEIT QUICK FACTS

## PROGRAM YEAR SFY 2011



### **Total Loans:**

The Program has issued more than \$5.63 billion in loans since its inception in 1987.



### **Total Projects:**

More than 931 clean water, drinking water, green infrastructure, land acquisition and remediation projects have been funded.



### **Total Savings:**

The Program has saved taxpayers and ratepayers over \$2.2 billion through lower interest costs.

### **Ancillary Programs:**



**Small Operators:** Drinking water loans are also available for small system operators such as nursing homes, condominium and homeowner associations.



**Open Space:** The Financing Program has issued more than \$88 million in loans to preserve over 3,000 acres of open space.



### **Current Rates:**

As low as 0.687% (Series 2012 A)



Van Campens Brook in Warren County, NJ

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**Chris Christie**  
Governor  
State of New Jersey

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# MESSAGE FROM THE TRUST

**To: The Honorable Chris Christie, Governor of the State of New Jersey  
The Honorable Members of the New Jersey Legislature**

The State Fiscal Year [SFY] 2011 Financing Program (Program) saw a continuation of the long-followed commitment by the New Jersey Environmental Infrastructure Trust (NJEIT or Trust) of providing low interest cost loans for water-quality related infrastructure projects throughout the Garden State. Since 1987, the Program has lent more than \$5.6 billion to over 930 projects and saved the State's tax-payers and rate-payers over \$2.2 billion in interest costs. This effort stands as a testament to the dedication of the Trust and the Department of Environmental Protection (DEP) to protecting the health and safety of the public and to improving New Jersey's water resources, while minimizing the expense to do so.

## **SFY 2011 Program**

### Traditional Loans

As in past years, the SFY 2011 Program offered traditional loans to borrowers consisting of a market-rate loan from the Trust for 50% of a project's eligible costs and a zero interest rate loan from the DEP for the remaining 50%. Sixty-six (66) projects received Traditional Loans totaling more than \$150 million. In addition, Principal Forgiveness Loans were made to the highest ranked Traditional Loan projects. These loans consist of (i) a 25% Principal Forgiveness Loan from the DEP that does not require repayment, (ii) a 25% zero interest loan from the DEP and (iii) a 50% market-rate loan from the Trust. Principal Forgiveness Loan amounts are capped at \$2.5 million per project. Twenty-six (26) projects received Principal Forgiveness Loans representing more than \$139 million in total loan proceeds. In all, the Program financed 92 projects in SFY 2011 totaling more \$290 million and generated over 5,800 construction jobs throughout the State, thereby providing a significant boost to New Jersey's economic recovery.

### Loan Refundings

The NJEIT refinanced more than \$83 million par of outstanding bonds involving 312 environmental infrastructure projects saving affected customers \$15 million in repayments over the remaining life of their loans. This sale marked the 14<sup>th</sup> time that the Trust issued bonds to refinance loans, a practice that has saved Trust borrowers an additional \$92 million in interest costs and underscores one of the Trust's core missions: to minimize borrowing costs and distribute any achieved savings directly to the State's tax and rate payers.

## **SFY 2012 Program**

In recognition of the State's continued economic challenges, DEP Commissioner Bob Martin directed the DEP to adjust its share of its zero interest rate loans in this year's Program to 75% of the total loan amount. This one Program modification will drop the typical Program borrower's blended market interest rate down an additional 25%. The net savings to a borrower's interest costs will approximate an additional 12% of the total principal loan amount. As an example, for a town seeking to borrow \$2 million through the Program and assuming the Trust's current borrowing rate to be 4%, that town's new blended rate will drop from 2% (50/50) to 1% (75/25) saving the town an additional \$240,000 over the life of their loan. This dramatic increase in savings is meant to further assist and

incentivize local governments to undertake needed and essential water infrastructure investment. In addition, the DEP is offering \$19 million to this year's highest ranked projects as 20% Principal Forgiveness Loans, capped at \$2.0 million per project, with the remaining 80% funding split evenly between a DEP loan and a Trust market-rate loan.

## 2012 Barnegat Bay Initiative

In keeping with Governor Christie's 10-point Barnegat Bay Initiative, the Program is dedicating \$100 million of funds over the next 10 years for projects within the Barnegat Bay watershed to help promote the health of the Bay. Of this total, at least \$22 million is expected to be made available as Principal Forgiveness Loans. In the first year of financing, the Program expects to fund 23 projects for a total of \$17 million, with approximately \$12.5 million in Principal Forgiveness Loans. Principal Forgiveness Loan funds have been allocated to projects that demonstrate the highest nitrogen removal capacity (nitrates in storm water run-off having been identified as one of the largest contributors to the decline of the Bay), as well as a limited number of sweeper-vac vehicles for shore towns.

## Going Forward

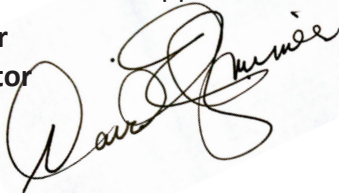
As the Trust embarks on its 25<sup>th</sup> year of service, it will continue to concentrate on those objectives that have made it the benchmark of quality service for infrastructure lending in the State:

- Provide efficient financing for water-quality related infrastructure projects in New Jersey;
- Promote the benefits of water-related infrastructure;
- Provide financing to eligible borrowers at the lowest possible cost, resulting in significant cost savings to the State's tax and rate payers; and
- Facilitate access to capital markets for all qualified participants - especially those that may have low credit ratings or are unfamiliar with the debt financing process.

Finally, as you scroll through the attached report, I would like to highlight one change in the presentation of the Trust's materials. In the past, the Financing Program's annual report included a summary of Program activities for a given "financing program year". This had the effect of creating an annual report whose project content included Program loans from the current fiscal year coupled with financial content from the previous fiscal year. Going forward, the Trust's annual report will focus on project and financial content exclusively from the same fiscal year. I believe this consistency will provide greater transparency and clarity for the readers of this document. In order to address the transition period in this current year, this year's annual report will include projects from SFY 2011 and audited financials from both SFY 2010 and 2011.

The Trust looks forward to working closely with each of you to further its role of providing infrastructure loans and services that protect New Jersey's precious water resources and the safety of the public at large as well as promote the economic development of the State. Thank you for your continued guidance and support.

**David E. Zimmer**  
Executive Director



**Warren H. Victor**  
Chairman



## **MISSION STATEMENT**

The New Jersey Environmental Infrastructure Trust is the independent State Financing Authority responsible for providing and administering the lowest interest-rate loans to qualified municipalities, counties, regional authorities and water purveyors for the purpose of financing water quality infrastructure projects.

## **2012 MEETING DATES**

JANUARY 12, 2012

FEBRUARY 9, 2012

MARCH 15, 2012

APRIL 12, 2012

MAY 10, 2012

JUNE 14, 2012

JULY 12, 2012

AUGUST 9, 2012

SEPTEMBER 13, 2012

OCTOBER 11, 2012

NOVEMBER 9, 2012

DECEMBER 13, 2012

## BOARD OF DIRECTORS AND EXECUTIVE DIRECTOR



Warren H. Victor  
*Chairman*



David Zimmer  
*Executive Director & Asst. Secretary*



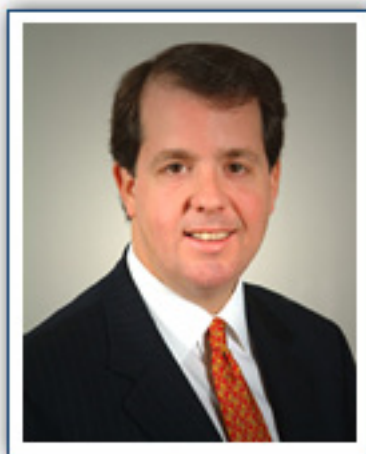
Herbert Barrack  
*Vice-Chairman*



Steven Gardner  
*Secretary*



Robert A. Briant, Sr.  
*Treasurer*



Andrew Sidamon-  
Eristoff  
*State Treasurer,  
Department of  
Treasury*



Bob Martin  
*Commissioner,  
NJ Department of  
Environmental  
Protection*



Lori Grifa  
*Commissioner,  
NJ Department of  
Community Affairs*

# BENEFITS OF THE FINANCING PROGRAM

Environmental Infrastructure Financing Program loans offer the lowest interest rates available. This low rate is a result of the program's financing structure. Under the program, participants finance project costs from a Trust interest-bearing loan and a DEP zero-percent interest loan. The Trust's interest bearing loans are financed from the sale of Revenue Bonds at current market rates. The DEP's zero percent loans are financed with federal grants to the State's Clean Water and Drinking Water State Revolving Fund programs, proceeds from the sale of State General Obligation Bonds, loan repayments, and any investment returns on un-used cash-on-hand. This structure provides Program borrowers with a loan that is a fraction of the Trust's prevailing market rate. Projects that promote smart growth through land preservation or urban development are eligible for loans that are one quarter the market rate.

In addition to interest rate charges, there are other factors that increase overall loan costs at traditional lending institutions, which are either absorbed or not charged by the Program. This policy is in keeping with the Trust's core mission to make water-related environmental infrastructure loans available at the lowest possible cost. For example, the Trust manages and absorbs the cost for: arbitrage management and reporting to the IRS, monitoring and execution of bond refunding opportunities, and a portion of the total bond underwriting expenses. (rating agencies, underwriting fee, etc.)

When the following additional cost-saving measures are considered, loan costs are actually lower than the Trust's posted interest rates:

## 1. Dollar Savings

**1a. Earnings credits** – Earnings from all bond proceeds are distributed to borrowers as credits toward their debt service payments.

**1b. No need for bond insurance** – The security provided by the Trust's natural AAA financial structure saves borrowers the expense of purchasing costly bond insurance.

**1c. Minimized financing costs** – Pooling multiple loans into a larger bond issue provides economies of scale. This means each borrower only pays its share of the Trust's bond issuance costs.

**1d. No front-loading requirement** – Local government units issuing their own general obligation debt are required to "front load" their repayment schedule. This ensures that debt service payments are larger in the early years of the loan, and grow smaller over time. We provide a level debt service throughout the life of the loan.

**1e. Net funding** – Each borrower submits a loan drawdown schedule. Funds are invested by the Trust and accrue earnings. These earnings are used to further lower the loan amount.

**1f. Refunding** – The Trust continually monitors market conditions to assess when interest rates meet the Trust's savings threshold for refunding prior bonds. All savings realized from bond refundings are passed on to borrowers, further lowering loan costs.

**1g. Debt Service Reserve Fund** – Debt service reserve funds are either not needed or are provided by the Trust for government borrowers.

## 2. Cash Flow

**2a. Capitalized interest** – Loans may include all or part of construction period interest costs for up to three years. Additionally, borrowers may defer repayment on principal and interest until completion of the project.

**2b. Generous allowable costs** – Project costs, including planning and design, engineering, local financing and curb-to-curb right-of-way restoration may be financed at half the market interest rate. In smart growth areas, reserve capacity costs such as excess project capacity may also be financed.

**2c. Interim financing** – Interim financing allows borrowers to access interest-free capital prior to the Trust's regular November loan closing. This eliminates the need for short-term financing.

**2d. Flexible timing** – Shorter term financing is available for borrowers who do not want a 20-year obligation.

## 3. Administrative

**3a. Timely decisions** – The DEP prioritizes Financing Program projects reviews to ensure permits are reviewed in time for loan closing.

**3b. No secondary disclosure requirements** – Due to our size, no single borrower is a material obligated entity. This means our borrowers are not required to fulfill secondary disclosure requirements.

**3c. No arbitrage worries** – We assume responsibility for complying with federal arbitrage rebate requirements.



# PROJECTS ELIGIBLE FOR FINANCING

The New Jersey Environmental Infrastructure Financing Program's initial focus was the finance of various clean water projects such as wastewater treatment and conveyance systems and combined sewer overflows. After making significant gains in this area, the program has since been expanded to include many other water quality enhancing projects.\*

The following project categories reflect how the program can be used to protect and improve New Jersey's environment.

## 1. Drinking Water

Eligibility applies to projects that address federal safe drinking water health standards. This includes replacement, source development and rehabilitation, treatment to comply with primary/secondary drinking water standards, storage to prevent contamination from entering the water system, and transmission lines/distribution systems to prevent contamination or to improve pressure to safe levels.

## 2. Clean Water

**2a. Wastewater** - Almost any project associated with sewage collection, treatment or disposal is eligible for financing, including correction of inflow/infiltration problems, sludge management and combined sewer overflows.

**2b. Stormwater** - Eligible projects include construction, expansion or replacement of stormwater management systems, construction or expansion of basins, replacement of storm drains, and rehabilitation of tide gates and extension of outfall points.

**2c. Runoff Control** - Projects such as manure/feedlot management, stream and lake bank stabilization, lake dredging and restoration and salt dome construction are some of the eligible project types.

**2d. Equipment Purchases** - Items such as street sweepers, sewer flushing and cleaning equipment, dump trucks, crawler loaders, skimmer boats, aquatic weed harvesters and outfall netting may be financed under the program.

**2e. Landfill Construction and Closure (publicly owned)** - Aspects of sealing an old landfill or constructing a new cell in an active one relating to prevention, reduction or control of leachate, its storage and/or treatment are eligible for financing. Other eligible activities include capping systems, liners, leachate collection systems, treatment systems, sewer connections, barge shelters, containment booms, litter fences, gas collection and treatment systems, monitoring wells and reclamation or reduction activities.

**2f. Brownfield Remediation** - The cleanup of abandoned and contaminated industrial sites is eligible for financing if a local or county government assumes the responsibility for the loan. The program will finance the removal of contaminated soil, capping and stormwater controls.

**2g. Open Space Acquisition** - Preserving open land that will contribute to maintaining or enhancing the quality of surface or ground water may be financed under the program. Eligible areas include stream headwaters, stream corridors, wetlands and aquifer recharge areas. Financing for land is compatible with the Green Acres Program, the Garden State Preservation Trust and with open space programs financed by local and county open space taxes.

**2h. Septic Systems** - Failing septic systems can contaminate ground water and surface water, creating a public health hazard. Although individual septic systems are usually privately owned, situations involving numerous system failures may be eligible for funding. In such cases, a governing body or utilities authority may establish a Septic Management District to apply for financing the planning and corrective measures. Eligible projects include the purchase and installation of traditional or alternative septic systems (to replace failing systems), rehabilitation of an existing system or construction of community systems.

## 3. Green Projects

Green projects consist of clean water and drinking water projects that implement green infrastructure and water or energy efficiency improvements (those that reduce greenhouse gas emissions, for example). Green infrastructure includes such practices as replacing existing pavement with porous pavement, utilizing bioretention, constructing green roofs, creating rain gardens, and other practices that mimic natural hydrology and increase effective perviousness.

\*Projects not listed above, that provide a water quality benefit, should be brought to the attention of the Trust and DEP for determination of financing eligibility.

# LOAN PROGRAM OFFERINGS

## General Program (NJEIFP)

### 1. Long Term Loans (NJEIFP)

The New Jersey Environmental Infrastructure Trust (NJEIT) is the Garden State's independent Finance Authority which, in partnership with the Department of Environmental Protection (DEP), provides low interest rate financing for the construction of environmental infrastructure projects that enhance ground and surface water resources, ensure the safety of drinking water supplies, protect the public health and make possible responsible and sustainable economic development.

New Jersey enjoys a national reputation as a leader in innovative and effective environmental protection strategies. The NJEIT, through its associated financing Program (NJEIFP), has been a critical facilitator of this success.

For over 24 years NJEIFP loans have funded projects that have protected the environment, saved taxpayers over \$2 billion in interest costs, and created over 100,000 construction jobs, adding vital economic activity to the State in the process.

#### Projects

NJEIFP loan program project types include but are not limited to:

- Wastewater
- Drinking Water
- Storm Water
- Landfills
- Brownfields
- Open Space Purchase
- Beneficial Reuse

## General Program (SL)

### 3. Supplemental Loans (SL)

Recipients of prior NJEIFP Loans are eligible to receive Supplemental Loans (SL) for unanticipated cost overruns, provided that they comply with Program's application requirements.

The submission deadline for Letters of Intent and Applications is typically the first Monday of March.

## Planning & Design Loan Program (PDLP)

### 4. Planning & Design Loans (PDLP)

The Planning and Design Loan Program (PDLP) is designed to provide financing for early stage eligible engineering costs incurred in completing environmental planning and engineering design work.

PDLP Loans may be secured for 50% of eligible P&D costs at any time throughout the year (subject to compliance with Program requirements). These loans are for projects for which an NJEIFP Long Term Loan is being sought.

## General Program (IFP)

### 2. Interim Financing Program (IFP)

In addition to its traditional Long Term Loans, NJEIT makes short-term funds available to qualified projects in advance of the Program's regular annual loan closing.

Project sponsors seeking Long Term Loans are eligible to receive an IFP Loan provided they have (1) submitted a Letter of Intent and Loan Application, (2) received pre-award approval from the DEP and the Trust, and (3) received from the DEP an Authorization to Award their final construction contract.

IFP loans are eventually converted into Long Term Loans at the annual loan closing provided the borrower satisfies loan program requirements including but not limited to the Program's credit worthiness standards.

## Emergency Financing Program (EFP)

### 5. Emergency Financing Program (EFP)

Emergency Financing Program (EFP) Loans are available for the emergency repair of environmental infrastructure components for which an application for an NJEIFP Loan is not currently under review. Although EFP Loans are short-term loans for emergency repairs, the varied and unique nature of emergencies require a determination based on the facts of each application. One condition of receiving an EFP Loan is the borrower's agreement to work with NJEIT to develop an asset management plan.

By their nature there is no set application schedule for emergency loans.

# A CASE STUDY: CAMDEN COUNTY MUNICIPAL UTILITY AUTHORITY FACILITIES (CCMUA)

In 2010, The Camden County Municipal Utility Authority (CCMUA) received loans in excess of \$20 million for wastewater infrastructure and capital improvements. Although the CCMUA was only operating at 70% of capacity, the plant was struggling to meet state discharge limits and was receiving numerous complaints from neighboring residents. These projects utilized the NJ State Revolving Fund to complete capital improvements that have improved water quality by significantly improving effluent quality and sludge removal. The improvements have also significantly cut down on odor complaints. Additional positive impacts include significant reduction of O & M costs, and the addition of several city parks.



*Above is pictured the CCMUA's facility featuring improvements as issued through NJEIPF loans.*



*Above is pictured one of the parks created as a part of the CCMUA's Facility Improvement Project*

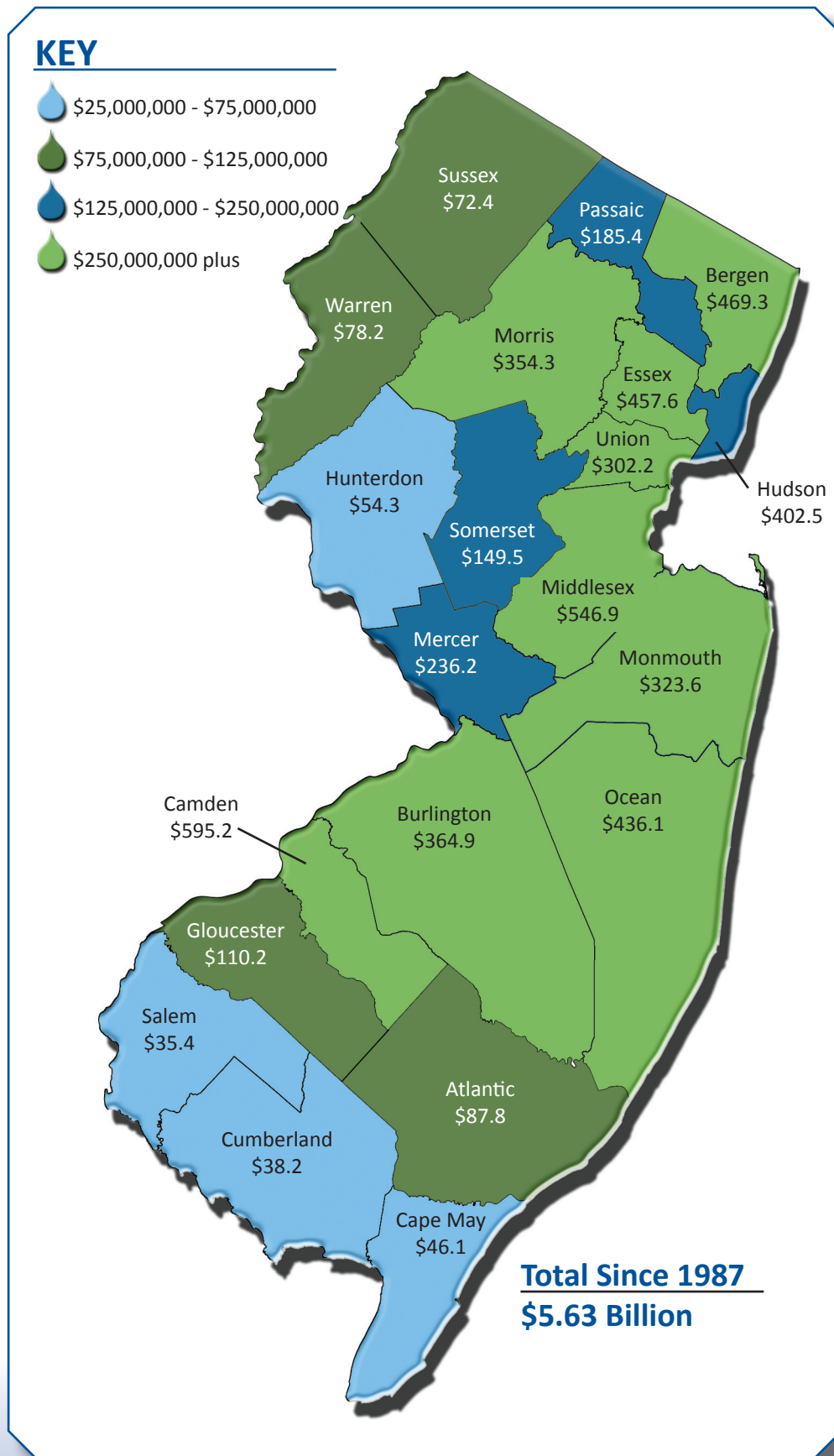
# SFY 2011 PROJECTS

<u>PROJECT TYPE</u>	<u>BORROWER</u>	<u>PROJECT DESCRIPTION</u>	<u>TOTAL LOAN</u>
Clean Water	Atlantic County UA	Sanitary Sewer	\$1,710,000
Drinking Water	Avalon Boro	Storage Tank	\$1,118,240
Drinking Water	Beach Haven Boro	Water Main	\$2,526,000
Drinking Water	Boonton	Storage Tank	\$1,242,694
Drinking Water	Bordentown City	Water Treatment Plant	\$495,000
Clean Water	Brigantine City	Sanitary Sewer/Equipment	\$4,847,650
Clean Water	Camden County MUA	Sewage Treatment Plant	\$19,732,980
Clean Water	Cape May County MUA	Pump Station Rehabilitation/ Force Main/Non-Point Source	\$8,506,537
Clean Water	Cape May County MUA	Sewage Treatment Plant	\$856,000
Drinking Water	Clinton Twp	Water Main/Storage Tank	\$3,963,323
Clean Water	Cumberland County UA	Force Main	\$1,813,785
Drinking Water	East Orange City	Water Main	\$7,062,000
Clean Water	Edgewater Boro	Sanitary Sewer	\$505,000
Clean Water	Edgewater Park SA	Pump Station/Rehabilitation	\$2,930,420
Clean Water	Ewing-Lawrence SA	Force Main	\$9,143,405
Drinking Water	Free Acres Association, Inc.	Water Mian	\$1,097,428
Clean Water	Galloway Twp	Pump Station Rehabilitation/ Force Main	\$1,679,106
Clean Water	Glen Ridge Boro	Infiltration & Inflow	\$350,515
Drinking Water	Glen Ridge Boro	Water Main	\$765,863
Clean Water	Gloucester County UA	Rehabilitation	\$2,192,500
Drinking Water	Gr. Gorge Ter. Condo Assn.	Water Main	\$846,930
Clean Water	Hackensack City	Sanitary Sewer	\$2,035,000
Clean Water	Hamburg Boro	Pump Station (new)	\$1,286,000
Drinking Water	Island Heights Boro	Storage Tank/Water Treatment Plant	\$4,726,000
Clean Water	Jersey City MUA	Combined Sewer Overflow	\$3,557,860
Clean Water	Lambertville MUA	Equipment	\$342,000
Drinking Water	Little Egg Harbor MUA	Source (wells)	\$299,256
Clean Water	Long Beach Twp	Sanitary Sewer	\$2,149,210
Drinking Water	Long Beach Twp	Water Main	\$2,002,500
Clean Water	Lyndhurst Twp	Rehabilitation/Storm Water Mgt.	\$3,130,000
Drinking Water	Lyndhurst Twp	Water Main	\$10,137,776
Drinking Water	Maple Shade Twp	Water Main	\$919,939
Clean Water	Medford Twp	Rehabilitation	\$3,263,810
Clean Water	Medford Twp	Sludge Management	\$3,292,500
Clean Water	Merchantville-Pennsauken	Beneficial Reuse	\$1,139,000
Clean Water	Middlesex County UA	Rehabilitation	\$11,139,000

# SFY 2011 PROJECTS (CONT.)

<u>PROJECT TYPE</u>	<u>BORROWER</u>	<u>PROJECT DESCRIPTION</u>	<u>TOTAL LOAN</u>
Clean Water	Musconetcong SA	Sewage Treatment Plant	\$723,675
Clean Water	Musconetcong SA	Sanitary Sewer/Pump Station	\$1,371,190
Clean Water	New Milford Boro	Sanitary Sewer	\$1,191,250
Clean Water	Newark City	Rehabilitation	\$12,742,390
Drinking Water	Newark City	Water Main	\$8,816,311
Clean Water	NJ Water Supply Authority	Land Preservation	\$2,054,338
Clean Water	North Hudson SA	Comb.Sewer Overflow/ Treatment Plant/Collection Sewer	\$5,912,665
Clean Water	NW Bergen County UA	Incinerator Rehab	\$3,335,000
Clean Water	Norwood Boro	Pump Station Rehab	\$1,036,850
Clean Water	Ocean County UA	Rehabilitation/Pump Station	\$11,342,174
Clean Water	Ocean Twp	Pump Station	\$327,500
Drinking Water	Ocean Twp	Water Treatment Plant	\$1,151,646
Clean Water	Old Bridge MUA	Interceptor	\$3,405,000
Clean Water	Oradell Boro	Sanitary Sewer	\$693,875
Clean Water	Passaic Valley SC	Rehabilitation	\$22,162,500
Drinking Water	Passaic Valley WC	Cleaning & Lining/Water Main	\$5,390,000
Clean Water	Pequannock/Lincoln Park/ Fairfield SA	Rehabilitation	\$2,223,250
Drinking Water	Perth Amboy City	Reservoir Rehabilitation	\$1,645,488
Clean Water	Pompton Lakes Boro MUA	Sewage Treatment Plant	\$835,860
Drinking Water	Sayreville Boro	Water Treatment Plant	\$15,665,000
Drinking Water	Sea Girt Boro	Water Treatment	\$819,258
Clean Water	Somers Point City	Infiltration & Inflow	\$2,875,000
Clean Water	Stone Harbor Boro	Sanitary Sewer	\$2,127,500
Clean Water	Stony Brook RSA	Sewage Treatment Plant	\$12,917,500
Clean Water	Sussex Boro	Rehabilitation	\$1,110,400
Clean Water	Trenton City	Sewage Treatment Plant	\$2,272,000
Drinking Water	Trenton City	Reservoir Cover	\$13,082,500
Drinking Water	Waldwick Boro	Storage Tank	\$1,101,508
Clean Water	West Milford Twp MUA	Rehabilitation	\$948,900
Drinking Water	Aqua New Jersey, Inc.	Water Treatment	\$855,262
Drinking Water	Middlesex Water Company	Cleaning & Lining	\$3,953,000
Clean Water	Montgomery Twp	Sewage Treatment Plant	\$9,786,250
Drinking Water	NJ American Water Comp.	Water Treatment	\$3,086,719
Drinking Water	NJ American Water Comp.	Water Main/Alternative Energy/ Water Treatment	\$9,455,345

# NJEIFP LOAN HISTORY BY COUNTY



# NJEIFP: BORROWERS, LOANS, AND EST. SAVINGS, 1987-2011

Participant	Min. Program Savings	Total Original Loan
2117 Mt. Ephraim Inc.	\$151,452.86	\$397,969.00
Allamuchy Twp	\$3,756,061.05	\$7,494,437.00
Aqua New Jersey, Inc.	\$3,791,285.31	\$7,360,886.00
Asbury Park City	\$7,068,291.89	\$16,756,303.00
Asbury Park City (Asbury Partners, LLC)	\$3,870,916.05	\$8,299,275.00
Atlantic City MUA	\$8,288,950.93	\$13,123,435.00
Atlantic County UA	\$18,720,585.73	\$40,673,609.00
Atlantic Highlands & RSA	\$304,265.64	\$911,250.00
Atlantic Highlands Boro	\$285,836.08	\$872,692.00
Avalon Boro	\$191,498.19	\$1,118,240.00
Barneget Twp	\$970,856.16	\$2,771,805.00
Barrington Boro	\$281,141.76	\$1,019,712.00
Bayonne City RA	\$2,110,822.35	\$4,563,800.00
Bayonne MUA	\$15,422,689.28	\$30,640,022.00
Bayonne Redevelopment Agency	\$18,330,523.22	\$31,208,249.00
Bayshore RSA	\$26,284,958.34	\$56,107,957.00
Bayview Water Company	\$620,465.56	\$1,600,000.00
Beach Haven Boro	\$4,995,800.58	\$8,407,695.00
Beachwood Boro	\$1,457,803.78	\$3,786,344.00
Bellmawr Boro	\$4,169,820.04	\$13,445,551.00
Bergen County	\$1,486,474.39	\$7,383,149.00
Bergen County IA (ENCAP)	\$2,708,186.00	\$211,321,814.00
Bergen County UA	\$69,581,251.55	\$125,379,107.00
Bergen County UA (Edgewater)	\$592,265.60	\$1,683,537.00
Bergenfield Boro	\$336,967.88	\$1,130,000.00
Berkeley Heights Twp	\$5,920,593.81	\$15,036,610.00
Berkeley Twp	\$1,138,818.38	\$3,140,003.00
Berkeley Twp MUA	\$1,122,691.17	\$4,079,233.00
Berkeley Twp SA	\$6,713,177.98	\$21,109,752.00
Berlin Boro	\$1,005,733.36	\$4,823,632.00
Bernardsville Boro	\$2,802,964.82	\$6,824,630.00
Bethlehem Twp	\$416,919.60	\$987,100.00
Beverly SA	\$125,852.54	\$371,996.00
Boonton	\$321,972.67	\$1,242,694.00
Bordentown City	\$129,216.67	\$495,000.00
Bordentown SA	\$1,754,412.28	\$2,949,959.00
Bound Brook Boro	\$33,215.26	\$148,161.00
Brick Twp	\$668,451.23	\$2,573,862.00
Brick Twp MUA	\$9,693,482.19	\$31,807,430.00
Bridgeton City	\$5,949,162.22	\$10,158,187.00
Bridgewater Twp	\$509,365.99	\$1,770,319.00
Brigantine City	\$2,557,356.47	\$10,878,667.00
Brookwood Musconetcong River POA	\$277,812.54	\$1,039,200.00
Buena Boro MUA	\$501,989.85	\$1,683,486.00
Burlington City	\$8,455,121.45	\$20,080,143.00
Burlington County BCF	\$31,223,245.14	\$89,521,293.00
Burlington Twp	\$3,614,978.28	\$9,309,122.18
Byram Twp	\$620,455.24	\$1,802,284.00
Caldwell Boro	\$12,434,755.51	\$36,746,860.00
Camden City	\$41,852,192.55	\$102,697,059.00
Camden County MUA	\$224,741,399.87	\$406,896,577.00
Cape May City	\$549,584.01	\$2,082,149.00
Cape May County MUA	\$18,955,910.29	\$35,798,825.00
Cape May Point Boro	\$18,145.16	\$161,766.00
Carneys Point Twp	\$170,185.69	\$502,733.00
Carneys Point Twp SA	\$3,815,175.21	\$6,510,000.00
Carteret Boro	\$1,347,421.89	\$4,007,500.00
Carteret RA (Titan-PDC Carteret, LLC)	\$12,556,467.85	\$38,472,833.00
Cedar Glen Homes, Inc.	\$261,465.25	\$846,401.00
Cedar Glen West, Inc.	\$82,333.44	\$432,666.00
Cedar Grove	\$3,815,309.25	\$9,123,321.00
Chatham Boro	\$4,211,262.88	\$9,615,446.00

\* Assumes all borrowers bond at EIT's AAA rate. Excludes additional savings achieved through bulk underwriting process.

# NJEIFP: BORROWERS, LOANS, AND EST. SAVINGS, 1987-2011 (CONT.)

Participant	Min. Program Savings	Total Original Loan
Chatham Twp	\$513,586.82	\$1,789,863.00
Cherry Hill Twp	\$2,898,122.53	\$6,142,348.00
Chester Boro	\$441,398.27	\$1,394,451.00
Chesterfield Twp	\$1,694,603.65	\$5,622,510.00
Cinnaminson SA	\$1,452,246.98	\$4,960,510.00
Clementon Boro	\$574,536.59	\$1,195,000.00
Cliffside Park Boro	\$153,667.82	\$1,105,000.00
Clifton City	\$1,337,026.48	\$4,581,000.00
Clinton Twp	\$2,877,149.21	\$8,744,895.00
Clinton Twp SA	\$683,256.14	\$2,085,074.00
Collingswood Boro	\$725,305.48	\$2,349,513.00
Consumers NJWC	\$1,171,923.26	\$3,473,961.00
Continental Communities L.L.C.	\$560,528.40	\$1,956,690.00
Cranford Twp	\$1,939,483.97	\$7,350,728.00
Cumberland County UA	\$971,630.21	\$3,763,785.00
Delanco SA	\$303,047.80	\$1,076,866.00
Delran SA	\$6,027,631.36	\$13,694,636.00
Denville Twp	\$7,424,316.67	\$18,205,604.00
Deptford Twp MUA	\$1,939,780.28	\$5,726,491.00
Dover Town	\$399,094.04	\$1,362,266.00
Dumont Boro	\$2,441,799.81	\$7,062,000.00
Dunellen Boro	\$459,385.86	\$1,845,475.00
East Brookwood Estates POA	\$397,668.46	\$1,357,000.00
East Newark Boro	\$213,163.00	\$579,562.00
East Orange City	\$4,670,475.28	\$10,087,375.00
East Rutherford Boro	\$121,320.33	\$896,793.00
East Windsor MUA	\$11,805,259.50	\$22,860,826.00
East Windsor MUA (DW)	\$6,278,602.81	\$16,914,584.00
East Windsor MUA(CW)	\$6,559,035.18	\$12,751,636.00
East Windsor Twp	\$409,246.54	\$868,171.00
Eatontown SA	\$1,472,392.75	\$4,400,336.00
Edgewater Boro	\$1,550,040.35	\$3,803,741.00
Edgewater MUA	\$528,142.77	\$1,771,496.00
Edgewater Park SA	\$949,281.69	\$3,242,377.00
Edison Twp	\$834,953.23	\$3,299,256.00
Egg Harbor Twp MUA	\$75,066.67	\$980,000.00
Elizabeth City	\$23,314,871.39	\$45,271,388.00
Elizabeth City (Union County) (JMEUC)	\$1,501,661.29	\$3,403,335.00
Elmwood Park Boro	\$2,318,291.61	\$8,874,766.00
Essex County UA	\$792,308.86	\$2,135,414.00
Evesham MUA	\$4,750,299.96	\$15,127,502.00
Evesham Twp	\$1,035,825.83	\$2,643,250.00
Ewing Twp	\$1,327,079.67	\$4,236,765.00
Ewing-Lawrence SA	\$5,987,093.50	\$11,922,465.00
Flemington Boro	\$1,201,301.21	\$3,855,496.00
Florence Twp	\$8,874,056.71	\$20,837,659.00
Florham Park SA	\$878,068.26	\$3,554,134.00
Fort Lee Boro	\$1,710,371.67	\$6,952,250.00
Franklin Boro	\$171,850.91	\$550,000.00
Franklin Twp SA	\$7,271,768.13	\$27,314,393.00
Free Acres Association, Inc.	\$308,497.00	\$1,097,428.00
Galloway Twp	\$658,767.00	\$2,273,923.00
Garfield City	\$1,703,715.15	\$6,122,693.00
Gibbsboro Boro	\$726,949.73	\$2,097,711.00
Glen Ridge Boro	\$2,176,485.35	\$7,246,895.00
Gloucester City	\$4,856,949.33	\$14,788,317.00
Gloucester County IA	\$1,724,627.29	\$8,230,895.00
Gloucester County UA	\$14,864,696.68	\$38,390,203.44
Gloucester Twp MUA	\$3,835,937.34	\$12,461,528.00
Great Gorge Terrace Condo Association, Inc.	\$778,750.09	\$846,930.00
Hackensack City	\$2,309,915.94	\$6,865,595.00
Hackettstown MUA	\$5,556,641.82	\$12,154,566.00

\* Assumes all borrowers bond at EIT's AAA rate. Excludes additional savings achieved through bulk underwriting process.



# NJEIFP: BORROWERS, LOANS, AND EST. SAVINGS, 1987-2011 (CONT.)

Participant	Min. Program Savings	Total Original Loan
Haddon Twp	\$2,034,220.83	\$6,387,500.00
Hainesport Twp	\$3,949,319.49	\$13,711,900.00
Haledon Boro	\$551,005.64	\$1,538,000.00
Hamburg Boro	\$331,163.89	\$1,286,000.00
Hamilton Twp	\$2,744,597.33	\$5,945,429.00
Hammonton	\$5,671,863.83	\$13,170,000.00
Hanover SA	\$5,971,275.31	\$16,114,729.00
Harrison Town	\$1,986,469.48	\$5,622,704.00
Harrison Twp	\$2,186,123.46	\$6,810,754.00
Harvey Cedars Boro	\$475,560.82	\$1,676,634.00
Hawthorne Boro	\$3,108,803.80	\$9,272,567.00
High Bridge Boro	\$450,409.30	\$926,941.00
Hightstown Boro	\$2,316,608.44	\$5,872,938.00
Hillsborough Twp	\$2,442,609.61	\$5,951,935.99
Hillside Twp	\$540,100.47	\$902,476.00
Hillside Twp (Union County) (JMEUC)	\$173,580.53	\$405,397.00
Holmdel Twp	\$2,071,014.10	\$5,902,119.00
Hopatcong Boro	\$6,036,348.23	\$17,124,545.00
Hudson CIA (Bayonne Crossing)	\$5,525,155.28	\$18,726,295.00
Hudson CIA (Harrison)	\$6,035,796.70	\$16,816,913.00
Irvington Twp	\$276,479.46	\$1,131,028.00
Irvington Twp (Essex County) (JMEUC)	\$1,937,795.40	\$2,754,804.00
Island Heights Boro	\$1,321,120.94	\$5,129,500.00
Jackson Twp MUA	\$7,859,752.62	\$18,443,109.00
Jefferson Township	\$392,295.76	\$1,387,350.00
Jersey City MUA	\$29,310,171.86	\$66,785,345.00
Keansburg Boro	\$3,116,418.47	\$5,790,422.00
Kearny	\$1,701,927.96	\$4,072,070.00
Kearny MUA	\$4,738,862.85	\$9,492,000.00
Kearny Town	\$3,555,657.64	\$9,435,996.00
Lake Tamarack WC	\$21,680.75	\$96,120.00
Lakewood Twp MUA	\$10,644,301.18	\$22,830,810.00
Lambertville MUA	\$6,039,000.22	\$7,422,000.00
Lambertville SA	\$854,042.09	\$3,182,679.00
Lavalette Boro	\$529,102.67	\$1,616,960.00
Lawrence Twp	\$303,901.88	\$1,175,095.00
Lebanon Twp	\$540,187.83	\$1,106,401.00
Leonia Boro	\$233,276.68	\$770,607.00
Linden City	\$4,110,235.53	\$17,530,919.00
Linden Roselle SA	\$3,785,545.18	\$13,897,578.79
Linwood City	\$25,561.07	\$475,000.00
Little Egg Harbor MUA	\$233,443.86	\$734,362.00
Livingston	\$6,820,201.05	\$17,209,276.00
Lodi Boro	\$23,219.53	\$140,650.00
Logan Twp MUA	\$846,661.57	\$2,975,000.00
Long Beach Twp	\$3,804,633.07	\$13,165,843.00
Long Beach Twp Brant Beach	\$871,286.83	\$3,095,664.00
Long Branch SA	\$20,856,192.64	\$42,793,640.00
Long Hill (Passaic Twp)	\$4,269,425.61	\$11,876,597.00
Long Hill Twp	\$496,029.39	\$1,507,000.00
Longport Boro	\$1,200,464.60	\$3,883,629.00
Lopatcong Boro	\$13,511.11	\$200,000.00
Lower Twp MUA	\$1,968,265.58	\$5,134,300.00
Lumberton Twp	\$538,049.72	\$2,072,303.00
Lyndhurst Twp	\$4,109,241.37	\$13,267,776.00
Madison Boro	\$5,914,677.93	\$12,900,257.00
Magnolia Boro	\$499,167.90	\$1,828,287.00
Manasquan Boro	\$3,693,963.35	\$9,370,217.00
Manchester Twp	\$1,870,176.13	\$3,507,498.00
Manchester UA	\$4,637,234.53	\$5,166,375.00
Mantua Twp MUA	\$1,298,774.78	\$3,997,023.00
Manville Boro	\$2,867,037.98	\$6,731,831.00

\* Assumes all borrowers bond at EIT's AAA rate. Excludes additional savings achieved through bulk underwriting process.

# NJEIFP: BORROWERS, LOANS, AND EST. SAVINGS, 1987-2011 (CONT.)

Participant	Min. Program Savings	Total Original Loan
Maple Shade Twp	\$10,621,794.27	\$29,914,846.00
Maplewood Twp	\$130,508.42	\$394,262.00
Margate City	\$254,229.76	\$937,449.00
Matawan Boro	\$698,199.61	\$2,725,000.00
Medford Twp	\$10,636,370.47	\$24,214,127.00
Mercer County	\$256,462.71	\$991,599.00
Mercer County IA	\$614,571.63	\$2,157,252.00
Merchantville Boro	\$988,386.50	\$2,688,640.00
Merchantville-Pennsauken	\$1,837,782.64	\$7,031,308.00
Middle Twp	\$89,785.58	\$347,597.00
Middlesex Boro	\$468,005.59	\$1,694,828.00
Middlesex County UA	\$97,462,255.89	\$329,473,820.00
Middlesex Water Company	\$14,498,381.36	\$42,763,909.00
Middletown Twp SA	\$4,769,826.15	\$15,222,686.00
Millburn Twp	\$520,165.58	\$2,076,373.00
Milltown Boro	\$479,142.53	\$1,480,700.00
Millville City	\$9,089,577.74	\$19,675,429.00
Mine Hill Twp	\$684,372.62	\$1,804,557.00
Monmouth County BOA	\$494,197.00	\$1,818,952.00
Monmouth County IA	\$149,489.78	\$1,350,828.00
Montclair State University	\$689,513.76	\$2,628,290.00
Montclair Twp	\$1,966,724.26	\$7,393,386.00
Montgomery Twp	\$17,294,453.93	\$41,646,147.00
Montville Twp	\$1,454,000.14	\$4,201,069.00
Montville Twp MUA	\$2,870,363.98	\$6,647,108.00
Moonachie Boro	\$60,088.28	\$407,701.00
Morris Twp	\$12,591,160.34	\$35,062,126.00
Morristown	\$27,731,042.30	\$56,186,196.00
Mount Holly MUA	\$7,263,644.08	\$26,287,025.00
Mt Laurel Twp MUA	\$27,805,722.78	\$54,094,525.00
Mt Olive Twp	\$10,210,075.22	\$29,258,314.00
Mt. Arlington Boro	\$3,330,435.32	\$9,938,480.00
Mt. Holly Water Company	\$5,414,930.68	\$13,189,909.00
Musconetcong SA	\$9,786,063.42	\$26,649,160.00
Neptune Twp	\$439,470.00	\$1,281,375.00
New Brunswick City	\$14,354,480.12	\$37,676,776.00
New Jersey City University	\$1,396,222.23	\$2,969,880.00
New Jersey Water Supply Authority	\$1,009,555.90	\$1,812,000.00
New Milford Boro	\$353,482.64	\$1,191,250.00
New Providence Boro	\$2,192,251.33	\$6,280,000.00
Newark City	\$85,142,087.16	\$164,654,081.00
Newark City (Essex County) (JMEUC)	\$405,985.94	\$745,715.00
Newton	\$5,978,789.22	\$12,722,306.00
NJ American Water Company	\$21,483,450.57	\$52,820,814.00
NJ Sports & Exposition Authority	\$175,899.00	\$744,201.00
NJ Water SA (Raritan Basin)	\$(783,728.17)	\$2,360,563.00
NJ Water Supply Authority	\$4,877,154.44	\$11,722,187.00
North Arlington	\$253,833.86	\$507,322.00
North Bergen MUA	\$29,355,259.86	\$51,931,981.00
North Brunswick Twp	\$6,494,598.34	\$19,791,186.00
North Hudson SA	\$79,808,234.79	\$153,053,280.00
North Jersey District WSC	\$2,010,475.31	\$20,708,745.00
North Plainfield Boro	\$601,590.69	\$2,154,442.00
North Wildwood City	\$1,478,324.81	\$5,755,952.00
Northeast Monmouth County RSA	\$20,114,269.39	\$49,357,977.00
Northwest Bergen County UA	\$7,460,400.15	\$27,017,208.00
Norwood Boro	\$269,330.56	\$1,036,850.00
Nutley Twp	\$932,550.14	\$3,590,000.00
Oaklyn Boro	\$396,102.49	\$1,298,868.00
Ocean County UA	\$65,757,952.12	\$219,264,261.00
Ocean Gate Boro	\$505,634.57	\$854,092.00
Ocean Twp	\$707,148.51	\$1,978,696.00

\* Assumes all borrowers bond at EIT's AAA rate. Excludes additional savings achieved through bulk underwriting process.

# NJEIFP: BORROWERS, LOANS, AND EST. SAVINGS, 1987-2011 (CONT.)

Participant	Min. Program Savings	Total Original Loan
Ocean Twp SA	\$7,705,175.82	\$23,654,504.00
Oceanport Boro	\$11,682,097.99	\$23,149,779.00
Old Bridge MUA	\$10,676,131.56	\$33,812,398.00
Old Bridge Twp	\$3,177,030.54	\$9,148,278.00
Old Tappan Boro	\$4,338,870.54	\$12,773,936.00
Oradell Boro	\$180,890.97	\$693,875.00
Orange Twp City	\$3,568,778.49	\$11,595,473.00
Paramus	\$702,259.79	\$1,661,330.00
Parsippany - Troy Hills Twp	\$13,610,523.87	\$25,862,149.00
Passaic Valley SC	\$83,505,372.52	\$200,778,187.00
Passaic Valley WC	\$22,697,704.67	\$84,100,953.00
Paterson City	\$13,658,185.98	\$25,375,227.00
Pemberton Twp	\$148,857.95	\$714,000.00
Pennsauken SA	\$314,000.64	\$929,000.00
Pennsgrove Water SC	\$873,577.08	\$2,219,940.00
Pennsville Twp	\$1,678,922.45	\$6,456,745.00
Pequannock River Basin RSA	\$6,403,978.44	\$12,913,542.00
Pequannock, Lincoln Park & Fairfield SA	\$9,863,339.84	\$18,280,613.00
Pequannock, Lincoln Pk, Fairfield	\$2,380,864.94	\$6,579,900.00
Perth Amboy City	\$2,586,112.27	\$6,716,630.00
Phillipsburg	\$15,751,607.28	\$29,802,375.00
Pine Hill Boro MUA	\$890,603.48	\$3,099,172.00
Plainfield Area RSA	\$2,332,353.13	\$8,009,080.00
Point Pleasant Beach Boro	\$748,863.23	\$2,272,812.00
Pompton Lakes Boro MUA	\$8,253,021.92	\$14,018,455.00
Princeton Boro	\$5,073,579.59	\$13,860,291.00
Princeton Twp	\$5,205,994.71	\$14,271,027.00
Rahway City	\$709,772.43	\$2,355,475.00
Rahway Valley SA	\$67,799,023.31	\$189,532,656.00
Ramsey Boro	\$582,205.84	\$1,999,175.00
Randolph Twp	\$5,570,397.91	\$13,533,063.00
Raritan Twp MUA	\$5,641,644.94	\$12,360,399.00
Readington Twp	\$634,678.90	\$2,129,268.00
Readington Twp.	\$154,322.74	\$285,829.00
Red Bank Boro	\$2,353,713.90	\$2,720,227.00
Ridgefield Boro	\$275,675.67	\$990,000.00
Ridgefield Park	\$676,148.93	\$2,133,780.00
Ridgewood Village	\$5,014,591.36	\$18,932,172.00
River Edge Boro	\$169,194.53	\$566,627.00
Riverside SA	\$1,784,173.11	\$6,692,743.00
Riverside Water Reclm Auth	\$457,360.19	\$1,589,040.00
Rockaway Valley RSA	\$5,336,182.06	\$16,276,815.00
Roosevelt Boro	\$199,222.50	\$540,000.00
Rosemont WC	\$34,342.25	\$120,782.00
Roxbury Twp	\$8,326,870.29	\$20,139,274.00
Roxbury Twp Ajax	\$2,744,486.15	\$6,239,555.00
Roxbury Twp-Lamington	\$3,077,138.64	\$8,009,917.00
Runnemede Boro	\$649,586.81	\$2,047,000.00
Runnemede SA	\$470,658.18	\$1,572,106.00
Saddle Brook Twp	\$623,161.70	\$2,023,154.00
Saddle River Boro	\$580,748.53	\$2,094,855.00
Salem City	\$10,310,890.64	\$12,963,001.00
Sayreville Boro	\$11,401,463.24	\$34,555,000.00
SE Monmouth MUA	\$2,669,986.00	\$7,938,389.00
Sea Girt Boro	\$1,098,221.91	\$4,495,140.00
Seaside Park Boro	\$2,459,728.07	\$7,956,964.00
Secaucus	\$1,382,012.31	\$3,325,000.00
Secaucus MUA	\$2,280,607.14	\$2,729,623.00
Ship Bottom Boro	\$1,312,555.91	\$3,834,455.00
Shorelands Water Company, Inc.	\$1,968,854.96	\$5,630,000.00
Somerdale Boro	\$237,108.69	\$830,528.00
Somers Point City	\$803,679.17	\$2,875,000.00

\* Assumes all borrowers bond at EIT's AAA rate. Excludes additional savings achieved through bulk underwriting process.

# NJEIFP: BORROWERS, LOANS, AND EST. SAVINGS, 1987-2011 (CONT.)

Participant	Min. Program Savings	Total Original Loan
Somerset Raritan Valley SA	\$17,730,033.36	\$58,136,795.00
South Hackensack Twp	\$416,320.53	\$1,441,280.00
South Jersey Water Supply Company	\$130,827.06	\$371,098.00
South Monmouth Regional SA	\$1,651,995.07	\$5,996,270.00
South Orange	\$370,013.14	\$408,405.00
South River Boro	\$1,766,250.79	\$6,112,500.00
Stafford MUA	\$1,276,608.01	\$4,368,651.00
Stafford Twp	\$10,896,767.77	\$35,460,402.00
Stillwater Twp WD#1	\$54,757.44	\$240,833.00
Stockton Boro	\$418,675.97	\$1,566,599.00
Stone Harbor Boro	\$2,135,969.31	\$7,097,799.00
Stony Brook RSA	\$10,482,091.17	\$21,742,873.00
Sussex Boro	\$465,491.85	\$1,707,400.00
Sussex County MUA	\$2,429,299.21	\$11,497,587.00
Swedesboro Boro	\$13,313.23	\$95,589.00
Tewksbury Twp	\$129,625.74	\$413,961.00
Toms River MUA	\$3,569,360.64	\$10,105,000.00
Trenton City	\$44,590,986.99	\$131,315,560.00
Tuckerton Boro	\$516,345.89	\$1,811,164.00
Union Beach Boro	\$174,872.57	\$600,000.00
Union Twp	\$23,220.00	\$184,330.00
Union Twp (Union County) (JMEUC)	\$639,944.56	\$1,443,800.00
Valley View Health Care RC	\$5,123.63	\$24,252.00
Verona Twp	\$10,171,307.67	\$22,863,811.00
Vineland City	\$4,084,861.25	\$4,858,750.00
Vorhees Twp	\$2,702,679.39	\$6,349,596.00
Waldwick Boro	\$748,034.02	\$2,756,508.00
Wall Twp	\$2,163,528.69	\$6,966,095.00
Wanaque Valley RSA	\$2,888,064.39	\$3,432,500.00
Warren County Pequest River MUA	\$1,650,142.03	\$6,354,515.00
Warren Twp SA	\$3,172,947.79	\$6,524,752.00
Washington Boro	\$5,437,519.78	\$15,607,780.00
Washington Boro Warren County.	\$396,054.84	\$1,625,741.00
Washington Twp	\$359,355.56	\$1,360,000.00
Washington Twp MUA	\$5,184,516.23	\$15,789,784.00
Watchung Boro	\$716,057.46	\$2,243,883.00
Waterford Twp MUA	\$1,778,022.53	\$5,454,244.00
Wayne Twp	\$7,957,599.04	\$14,759,658.00
West Deptford Twp	\$4,377,545.08	\$16,999,696.00
West Milford Twp MUA	\$6,936,056.22	\$11,327,665.00
West Orange Twp	\$1,873,800.70	\$4,398,535.00
West Orange Twp (Essex County) (JMEUC)	\$371,003.29	\$823,471.00
West Paterson Boro	\$1,863,911.46	\$5,183,430.00
West Windsor Twp	\$850,452.59	\$3,269,984.00
Western Monmouth UA	\$3,118,765.58	\$9,149,978.00
Westville Boro	\$342,423.56	\$1,099,160.00
Westwood Boro	\$1,553,412.82	\$6,030,781.00
Wharton Boro	\$125,904.85	\$465,596.00
Wildwood City	\$334,906.69	\$1,246,500.00
Wildwood Crest	\$1,561,686.14	\$4,611,677.00
Willingboro MUA	\$9,786,990.22	\$13,961,946.00
Winslow Twp	\$1,669,916.01	\$5,950,200.00
Winslow Twp Sicklerville	\$966,686.69	\$3,884,632.00
Wonder Lakes Properties, Inc.	\$4,000.00	\$144,920.00
Woodbridge Twp	\$192,700.84	\$884,595.00
Woodbury City	\$1,801,596.86	\$5,879,898.00
Woodbury Heights Boro	\$281,539.16	\$941,910.00
Woodstown SA	\$2,783,793.22	\$6,379,625.00
<b>GRAND TOTAL</b>	<b>\$2,196,647,038.70</b>	<b>\$5,636,116,409.40</b>

\* Assumes all borrowers bond at EIT's AAA rate. Excludes additional savings achieved through bulk underwriting process.



View of Lake Hopatcong Spillway in Morris County, NJ

# APPENDIX A

## SFY 2011 INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITORS' REPORT

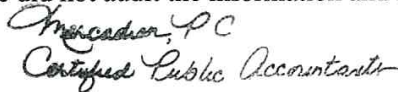
To The Board of Directors  
New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)

We have audited the accompanying balance sheets of New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey (the "Trust"), as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
*Mercadien, P.C.*  
*Certified Public Accountants*

October 12, 2011

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**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

This section of the annual financial report of New Jersey Environmental Infrastructure Trust (the "Trust") presents management's discussion and analysis of the Trust's financial performance during the fiscal year ended June 30, 2011. Please read this section in conjunction with the Trust's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

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- The Trust's net assets increased by \$12,016,823, or 4%
- Cash and investments decreased by \$16,476,141, or 3%
- Loans receivable increased by \$78,569,366, or 7%
- Bonds payable increased by \$53,169,694, or 3%

During fiscal year 2011, making no transfers back to the State relating to appropriations and interim financing, and keeping administrative costs down, the net assets of the Trust increased \$12,016,823. In fiscal year 2010, the Trust issued three series of bonds and multiple direct loans, funding project accounts with over \$193 million. During 2011, a large amount of these funds were used for project cost reimbursements for approximately 200 borrowers, resulting in cash and investments decreasing by 3%. Bonds payable increased due to the issuance of the 2010B&C bond issues and a multi-issue refunding in August 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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This comprehensive annual financial report consists of two parts, the Management's Discussion and Analysis (this section) and the basic financial statements, including notes. The Trust is an independent State financing entity. The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds.

The Trust's financial statements report information about the Trust using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the Trust's activities. The balance sheet includes all of the Trust's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to bondholders (liabilities). All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Trust's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and non-capital financing activities and provides answers to such questions as where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.



**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

**FINANCIAL ANALYSIS OF THE TRUST**

Since the purpose of the Trust is to improve the environment by making loans to government entities and water purveyors throughout the State, the Trust must sell bonds in order to provide the necessary funding for these projects. Therefore, when reviewing the Trust's balance sheet, its performance can be measured by its liabilities, not its assets. The bonds payable reflects the amount of bonds outstanding. The current assets consist of committed funds that have not been requested by the borrowers. The loans receivable is the amount of loans net of funds not yet requisitioned. As a result, analyzing the assets would not be the appropriate measurement of the Trust's success. In addition, the Trust does not hold any capital assets. All capital assets are held by the borrowers.

Net Assets-The following table summarizes the balance sheet changes between June 30, 2011 and 2010:

	2011	2010	Percent Increase (Decrease)
Current assets	\$ 645,315,168	\$ 557,114,363	16%
Non-current assets	1,282,103,260	1,305,242,860	(2%)
Total assets	<u>1,927,418,427</u>	<u>1,862,357,223</u>	3%
Bonds payable	1,603,920,536	1,550,750,842	3%
Other liabilities	23,874,195	23,999,508	(1%)
Total liabilities	<u>1,627,794,731</u>	<u>1,574,750,350</u>	3%
Net Assets:			
Restricted	265,306,058	256,762,164	3%
Unrestricted	34,317,638	30,844,709	11%
Total net assets	<u>\$ 299,623,696</u>	<u>\$ 287,606,873</u>	4%

The table above illustrates that the Trust's net assets have increased from \$287,606,873 to \$299,623,696. As previously noted, no transfers were made back to the State, and administrative expenses were lowered, resulting in an increase of Trust net assets of 4%. The total amount deposited to the Project Fund from bond proceeds was \$129,376,119. The remaining amount is unrestricted funds. At June 30, 2011, bonds payable amounted to \$1,603,920,536. During the year, the Trust issued bonds in the amount of \$199,160,000 and retired \$158,110,000.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

**FINANCIAL ANALYSIS OF THE TRUST (CONTINUED)**

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The following table summarizes the changes in net assets between fiscal years 2011 and 2010:

	2011	2010	Percent Increase (Decrease)
Operating revenues	\$ 69,640,722	\$ 81,254,579	(14%)
Total revenues	<u>69,640,722</u>	<u>81,254,579</u>	(14%)
Interest expense	55,069,479	73,592,756	(25%)
Administrative expenses	2,554,420	4,725,360	(46%)
Transfer to state	-	96,998,243	(100%)
Total expenses and transfer	<u>57,623,899</u>	<u>175,316,359</u>	(67%)
Change in net assets	<u>\$ 12,016,823</u>	<u>\$ (94,061,780)</u>	113%

While the balance sheets show the change in financial position, the statements of revenues, expenses and changes in net assets illustrate the investment income and interest repayments from the borrowers as compared to the interest expense payments made on the outstanding bonds. The difference represents investment income earned on the Project Fund investments and the Debt Service Fund. In both cases, these funds are credited to the borrowers through reduced interest payments; the Trust does not benefit from this income. The Trust collects an administrative fee from all borrowers for the duration of their loans. This covers the operating expenses of the Trust.

**OTHER FINANCIAL INFORMATION**

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On December 2, 2010, the Trust sold, by competitive bid, Series 2010B and C bonds to capitalize the 2010 NJ Environmental Infrastructure Financing Program. Under the Trust Direct Loan Program, 3 projects received funding this fiscal year.

The Trust's Bond Series 2010B was sold to Banc of America Merrill Lynch, which was the low bidder with a true interest cost of 3.89%. The bond series was tax exempt and uninsured and was rated AAA, Aaa, and AAA by Fitch Investors Services, Inc., Moody's Investors Service and Standard & Poor's Corp., respectively. As a result of the issue, 65 projects received funding.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2011

**OTHER FINANCIAL INFORMATION (CONTINUED)**

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The Trust's Bond Series 2010C was sold to JP Morgan Securities, Inc., which was the low bidder with a true interest cost of 3.84%. The bond series was tax exempt and uninsured and was rated AAA, Aaa, and AAA by Fitch Investors Services, Inc., Moody's Investors Service and Standard & Poor's Corp., respectively. As a result of the issue, 5 projects received funding.

On August 18, 2010, the 2010A Refunding Series refunded all or a part of the 1995A 1998A, 2000A, 2001A, 2002A, 2003A, 2004A and 2006A bonds; and the 2010B (AMT) Refunding Series refunded all or part of the 1999B and 2000B bonds. The lowest bidder for the 2010A refunding was Banc of America Merrill Lynch with a true interest cost of 2.36%, and the lowest bidder for the 2010B refunding was Janney Montgomery Scott, Inc. with a true interest cost of 2.89%.

Loans to borrowers in the 2010 program combine proceeds of the bond sale, lent at market rate, with interest-free loans from the State of New Jersey, Department of Environmental Protection Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Thus, most public borrowers will pay a composite interest rate on their loans of under 2%.

**CONTACTING THE TRUST'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide citizens, borrowers, investors and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the State appropriations and bond proceeds it receives. If you have any questions about this report or need additional financial information, contact the Trust's Executive Director at 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey 08648.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

(A Component Unit of the State of New Jersey)

BALANCE SHEETS

	June 30,	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 30,070,142	\$ 26,700,072
Other assets	2,355,665	2,310,355
Restricted assets		
Cash and cash equivalents	295,248,161	274,310,232
Investments	198,438,515	146,700,648
Interest receivable	25,043,175	22,153,788
Loans receivable	94,159,509	84,939,268
Total Current Assets	<u>645,315,168</u>	<u>557,114,363</u>
Non-current Assets		
Fixed assets	37,623	36,330
Restricted assets		
Investments	91,250,436	183,772,443
Loans receivable	1,181,405,382	1,112,056,257
Deferred issuance costs	9,409,818	9,377,830
Total Non-current Assets	<u>1,282,103,260</u>	<u>1,305,242,860</u>
Total Assets	<u>\$ 1,927,418,427</u>	<u>\$ 1,862,357,223</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 773,408	\$ 881,689
Accrued interest payable	23,100,787	23,117,819
Current portion of bonds payable	93,974,223	80,760,834
Total Current Liabilities	<u>117,848,418</u>	<u>104,760,342</u>
Non-current Liabilities		
Bonds payable	<u>1,509,946,313</u>	<u>1,469,990,008</u>
Total Non-current Liabilities	<u>1,509,946,313</u>	<u>1,469,990,008</u>
Total Liabilities	<u>1,627,794,731</u>	<u>1,574,750,350</u>
Net Assets		
Restricted for debt service	253,511,544	245,009,619
Restricted for Interim Financing Trust Loan Program	11,794,514	11,752,545
Unrestricted	34,317,638	30,844,709
Total Net Assets	<u>299,623,696</u>	<u>287,606,873</u>
Total Liabilities and Net Assets	<u>\$ 1,927,418,427</u>	<u>\$ 1,862,357,223</u>

See notes to financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

(A Component Unit of the State of New Jersey)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year ended June 30,	
	2011	2010
Operating revenues		
Investment income	\$ 2,476,570	\$ 7,740,947
Interest income from loans	61,370,613	67,240,132
Administrative fees	5,793,539	6,273,500
Total operating revenues	<u>69,640,722</u>	<u>81,254,579</u>
Operating expenses		
Interest expense	55,069,479	73,592,756
Administrative expenses	2,554,420	4,725,360
Total operating expenses	<u>57,623,899</u>	<u>78,318,116</u>
Operating income	<u>12,016,823</u>	<u>2,936,463</u>
Non-operating revenues (expenses)		
Transfer to state	-	(96,998,243)
Total non-operating expenses	<u>-</u>	<u>(96,998,243)</u>
Change in net assets	12,016,823	(94,061,780)
Net assets, beginning of year	<u>287,606,873</u>	<u>381,668,653</u>
Net assets, end of year	<u>\$ 299,623,696</u>	<u>\$ 287,606,873</u>

See notes to financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2011	2010
<b>Cash Flow from Operating Activities</b>		
Cash received for administrative fees	\$ 5,720,132	\$ 6,857,724
Cash payments for goods and services	(1,316,118)	(3,342,487)
Cash payments for salaries	(1,334,908)	(1,201,330)
Disbursement of loan funds to borrowers	(161,124,999)	(204,988,069)
Principal received from loans to borrowers	81,727,725	111,295,997
Interest received from loans to borrowers	58,843,658	77,220,386
Interest paid on bond maturities	(60,312,503)	(85,550,601)
Interest on investments	4,102,128	5,074,780
Net cash used in operating activities	<u>(73,694,885)</u>	<u>(94,633,600)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds from sale of bonds	134,144,829	208,365,300
Principal paid on bond maturities	(75,345,000)	(107,441,654)
Issuance and servicing costs paid	(436,131)	(1,510,218)
State appropriations paid	-	(96,998,243)
Net cash provided by non-capital financing activities	<u>58,363,698</u>	<u>2,415,185</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
(Acquisition) sale of fixed assets	(17,250)	17,858
Net cash (used in) provided by capital and related financing activities	<u>(17,250)</u>	<u>17,858</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(122,082,433)	(282,180,408)
Proceeds from sale and maturity of investments	161,738,869	344,125,299
Net cash provided by investing activities	<u>39,656,436</u>	<u>61,944,891</u>
Net increase (decrease) in cash and cash equivalents	24,307,999	(30,255,666)
Cash and cash equivalents, beginning of year	301,010,304	331,265,970
Cash and cash equivalents, end of year	<u>\$ 325,318,303</u>	<u>\$ 301,010,304</u>
<b>Displayed as</b>		
Cash and cash equivalents - unrestricted	30,070,142	26,700,072
Cash and cash equivalents - restricted	295,248,161	274,310,232
	<u>\$ 325,318,303</u>	<u>\$ 301,010,304</u>
<b>Reconciliation of Operating Income to Net Cash Used In Operating Activities</b>		
Operating income	\$ 12,016,823	\$ 2,936,463
Adjustments to reconcile operating income to net cash used in operating activities		
Depreciation	15,957	(2,878)
Net unrealized gain on investments	1,127,704	(2,457,819)
Amortization of bond discounts and premiums	(2,971,175)	(3,121,740)
Amortization of deferral on bond refunding	(2,658,961)	(2,410,423)
Amortization of deferred issuance costs	404,143	1,002,368
Change in assets and liabilities		
(Increase) decrease in other assets	(45,311)	646,413
(Increase) decrease in interest receivable	(2,889,387)	9,448,369
Increase in loans receivable	(78,569,366)	(93,412,355)
(Decrease) increase in accounts payable	(108,281)	166,051
Decrease in accrued interest payable	(17,031)	(7,428,049)
Net cash used in operating activities	<u>\$ (73,694,885)</u>	<u>\$ (94,633,600)</u>

See notes to financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**A. ORGANIZATION AND FUNCTION OF THE TRUST**

The New Jersey Wastewater Treatment Trust was created by the Legislature of the State of New Jersey (the “State”) in November 1985 as an independent State financing authority. On June 23, 1997, the State Legislature passed amendments to rename the entity the New Jersey Environmental Infrastructure Trust (the “Trust”). The Trust leverages federal and state dollars to finance environmental infrastructure projects. It issues revenue bonds in order to make loans to local governments and private water companies for the construction and rehabilitation of eligible projects. The Trust is a component unit of the State of New Jersey, and accordingly, the financial statements of the Trust are included in the financial statements of the State of New Jersey.

In addition to a loan from the Trust, the borrowers receive a zero percent interest-free loan administered by the New Jersey Department of Environmental Protection (the “Department”). The sources for the loans are State general obligation bond issuances that were approved to capitalize the various loan funds and the Federal Capitalization Grant under the Clean Water Act and the Drinking Water Act (the “Funds”). The accompanying financial statements do not include any assets, liabilities or fund balances of the Funds. However, the financial statements of the Funds are included as additional information in the accompanying comprehensive annual financial report of the Trust. Under the terms of the Trust agreement, the assets of the Trust cannot be used to satisfy the obligations of the Funds.

The Trust may finance up to 50% of the allowable project costs. The Fund may finance up to 75% of the allowable project costs. The Trust lends its share of allowable costs to borrowers for various terms up to a maximum of 20 years at a rate equal to or less than the interest rate on its revenue bonds. Such loan repayments will be used to pay debt service on the Trust’s revenue bonds. The Trust maintains an internally designated State Revolving Fund, which consists of Clean Water and Drinking Water projects, to separately account for the portion of these Trust loan financings that have been matched by federal sources from the Fund.

The Trust is administered by an Executive Director and staff, under the guidance of the Board of Directors, that appoint trustees (currently both U.S. Bank and Bank of New York Mellon) and loan servicers (currently U.S. Bank, Bank of New York Mellon and TD Bank). The initial proceeds from a bond issuance are invested and held by the trustee. The Trust authorizes the trustee to disburse funds to the borrowers based on a review and approval process to verify that the disbursed funds are within the drawdown limits outlined in the loan agreements. The loan servicer receives all repayments of principal and interest from the borrowers and forwards such funds to the trustee and the Master Program Trustee (U.S. Bank) or the department, as appropriate. The trustee invests the monies received in the applicable fund (see Note C). For the 2004 bond issuances and for future issuances, the Trust’s accounting staff is acting as loan servicer.

As a public body under existing statute, the Trust is exempt from both federal and state taxes.

## NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

(A Component Unit of the State of New Jersey)

### NOTES TO FINANCIAL STATEMENTS

#### B. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies:

##### **Basis of Accounting**

The accrual basis of accounting is followed by the Trust.

In its accounting and financial reporting, the Trust follows the pronouncements of the Governmental Accounting Standards Board (“GASB”) and other entities that promulgate accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants (“AICPA”) Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specially applicable to state and governmental entities; Financial Accounting Standards Board (“FASB”) Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Trust has elected to follow GASB pronouncements issued after November 30, 1989.

As required by Executive Order No. 122 (McGreevey), the Trust’s financial statements are audited in accordance with Generally Accepted Government Auditing Standards (“GAGAS”), issued by the Comptroller General of the United States of America, on behalf of the United States Government Accountability Office (“GAO”).

##### **Cash and Cash Equivalents and Investments**

Investments are purchased with the intent to hold to maturity. Investments, which consist primarily of U.S. Government obligations, are stated at fair value and mature in periods ranging from one to five years. Cash equivalents include funds invested in the New Jersey Cash Management Fund, First American Government Obligation and the Goldmans Treasury Obligation Money Market Fund.

##### **Deferred Issuance Costs**

Bond issuance costs, primarily underwriting discounts, are amortized over the life of the related bond issuance using the effective interest method.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**C. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk**

The Trust does not have a policy for custodial credit risk. However, the NJCMF is a pooled investment. GASB Statement 40 states that pooled investments are excluded from custodial credit risk disclosure.

Cash and cash equivalents and investments are substantially restricted under the terms of the Trust's bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

The amounts deposited in these accounts, are as follows:

	June 30,	
	2011	2010
Operating Checking (Wachovia)	\$ 87,570	\$ 96,075
Cash Management Fund	351,109	251,335
Investments (categorized as cash equiv)	19,210,866	21,352,260
First American Treasury (US Bank MM)	257,610,262	218,250,463
Trust US Treasury (BONY MM)	48,058,496	61,060,171
TOTAL	<u>\$ 325,318,303</u>	<u>\$ 301,010,304</u>

Pursuant to the bond resolutions, the Trust is required to maintain certain invested reserves with the trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. The funds known as the debt service reserve requirement, aggregated \$113,474,250 and \$122,139,239 at June 30, 2011 and 2010, respectively, and are included in net assets.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**C. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk (Continued)**

As of June 30, 2011 and 2010, the Trust had the following investments and maturities:

Investment Type	June 30, 2011				
	Fair	Investment Maturity (In Years)			
	Value	Less than 1	1-5	6-10	More than 10
US Treasury Bills	\$ 1,996,933	\$ 1,996,933	\$ -	\$ -	\$ -
US Treasury Notes	121,713,323	43,373,835	78,339,488	-	-
US Treasury SLUGs	70,898,886	67,518,967	3,379,919	-	-
US Gov't Other	94,460,065	84,929,035	9,531,030	-	-
Uninvested Cash	619,744	619,744	-	-	-
	<u>\$289,688,951</u>	<u>\$198,438,514</u>	<u>\$ 91,250,437</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Type	June 30, 2010				
	Fair	Investment Maturity (In Years)			
	Value	Less than 1	1-5	6-10	More than 10
US Treasury Bills	\$ 16,716,215	\$ 16,716,215	\$ -	\$ -	\$ -
US Treasury Notes	128,018,080	17,741,871	110,276,209	-	-
US Treasury SLUGs	83,476,507	64,734,345	18,742,162	-	-
US Gov't Other	101,262,323	46,508,250	54,754,073	-	-
Uninvested Cash	999,966	999,966	-	-	-
	<u>\$330,473,091</u>	<u>\$146,700,647</u>	<u>\$183,772,444</u>	<u>\$ -</u>	<u>\$ -</u>

**Credit Risk**

The Trust's restricted investment policies are disclosed above under the custodial credit risk section. Investments of the Trust are guaranteed by the U.S. government.

**Interest Rate Risk**

The Trust does not have a policy to limit interest rate risk. However, the Trust's investments are limited to U.S. obligations with fixed interest rates.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE**

Changes in bonds payable for the year ended June 30, 2011, were as follows:

	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011	Amount Due Within One Year
<b>1995 Series</b>					
Series A Bonds, insured, maturing serially through 2010, at interest rate of 5.20%	\$ 560,000	\$ -	\$ 560,000	\$ -	\$ -
Series B Bonds, insured, maturing serially through 2015 at interest rate of 7.00%	1,015,000	-	140,000	875,000	150,000
<b>1997 Refunding Series</b>					
Series D Bonds, insured, maturing serially through 2011, at interest rate of 7.00%	2,560,000	-	1,240,000	1,320,000	1,320,000
<b>1998 Refunding Series</b>					
Series C Bonds, uninsured, maturing serially through 2011, at interest rates from 5.00% to 5.25%	8,610,000	-	4,190,000	4,420,000	4,420,000
Series D Bonds, uninsured, maturing serially through 2012, at interest rate of 5.0%	1,505,000	-	730,000	775,000	775,000
Series E Bonds, uninsured, maturing serially through 2012, at interest rate of 5.0%	3,470,000	-	1,690,000	1,780,000	1,780,000
Series F Bonds, insured, maturing serially through 2014, at interest rate of 5.0%	4,995,000	-	1,155,000	3,840,000	1,220,000
Series G Bonds, insured, maturing serially through 2014, at an interest rate of 5.0%	7,850,000	-	1,820,000	6,030,000	1,915,000
<b>1998 Series</b>					
Series A Bonds, uninsured, maturing serially through 2010 at an interest rate of 4.5%	3,865,000	-	3,865,000	-	-
Series B Bonds, uninsured AMT, maturing serially through 2018, at interest rates from 4.25% to 4.625%	4,855,000	-	450,000	4,405,000	470,000
<b>1999 Series</b>					
Series B Bonds, uninsured AMT, maturing serially through 2010, at interest rate of 5.25%	1,560,000	-	1,560,000	-	-
<b>2000 Series</b>					
Series A Bonds, uninsured, maturing serially through 2012, at interest rate of 5.00%	13,920,000	-	13,635,000	285,000	140,000
Series B Bonds, uninsured, maturing serially through 2010, at interest rate of 5.00%	4,765,000	-	4,765,000	-	-
<b>2001 Series</b>					
Series A Bonds, uninsured, maturing serially through 2013, at interest rate of 5.5%	37,310,000	-	15,975,000	21,335,000	6,740,000
Series B Bonds (AMT), uninsured, maturing serially through 2021, at interest rate of 5.00%	20,075,000	-	1,345,000	18,730,000	1,415,000
Series C Bonds (Federally Taxable), uninsured, maturing serially through 2021, at interest rates from 5.5% to 6.6%	990,000	-	60,000	930,000	60,000

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011	Amount Due Within One Year
<b>2002 Series</b>					
Series A Bonds, uninsured, maturing serially through 2014, at interest rates from 5.00% to 5.25%	\$ 22,325,000	\$ -	\$ 11,670,000	\$ 10,655,000	\$ 4,150,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.00%	15,160,000	-	1,070,000	14,090,000	1,110,000
<b>2003 Refunding Series</b>					
Series A Bonds, insured, maturing serially through 2013, at interest rate of 5.00%	13,475,000	-	4,465,000	9,010,000	4,690,000
<b>2003 Series</b>					
Series A Bonds, uninsured AMT, maturing serially through 2023, at interest rates from 3.00% to 5.00%	52,575,000	-	36,515,000	16,060,000	3,290,000
<b>2004 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2015, at interest rates from 5.00% to 5.25%	11,710,000	-	1,725,000	9,985,000	1,815,000
<b>2004 Series</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 4.00% to 5.00%	58,525,000	-	7,475,000	51,050,000	5,210,000
Series B Bonds (AMT), uninsured, maturing serially through 2024, at interest rates from 3.125% to 5.50%	14,685,000	-	780,000	13,905,000	805,000
<b>2005 Series</b>					
Series A Bonds, uninsured, maturing serially through 2025, at interest rates from 4.00% to 5.00%	108,435,000	-	4,910,000	103,525,000	5,170,000
Series B Bonds (AMT), uninsured, maturing serially through 2025, at interest rates from 4.00% to 4.70%	2,810,000	-	125,000	2,685,000	130,000
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with weekly interest rate calculations	88,413,346	-	-	88,413,346	5,894,223
<b>2006 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	39,210,000	-	-	39,210,000	-
Series B Bonds, uninsured, maturing serially through 2019, at interest rates from 4.00% to 5.00%	32,670,000	-	2,660,000	30,010,000	2,770,000
Series C Bonds, uninsured, maturing serially through 2017, at interest rates from 4.0% to 5.0%	15,775,000	-	1,700,000	14,075,000	1,765,000
Series D Bonds, uninsured, maturing serially through 2016, at interest rates from 4.0% to 5.0%	17,935,000	-	2,270,000	15,665,000	2,365,000
<b>2006 Series</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	143,860,000	-	15,015,000	128,845,000	6,120,000
Series B Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	20,515,000	-	845,000	19,670,000	880,000

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2010	Issued	Retired	Balance at June 30, 2011	Amount Due Within One Year
<b>2007 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.00% to 5.25%	\$ 51,940,000	\$ -	\$ -	\$ 51,940,000	\$ -
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.25%	35,640,000	-	-	35,640,000	-
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.0%	38,830,000	-	-	38,830,000	-
Series D Bonds (AMT), uninsured, maturing serially through 2016, at interest rate of 5.0%	2,325,000	-	290,000	2,035,000	305,000
<b>2007 Series</b>					
Series A Bonds, uninsured, maturing serially through 2027, at interest rates from 3.40% to 5.00%	206,980,000	-	8,790,000	198,190,000	9,740,000
<b>2008 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 3.25% to 4.50%	22,965,000	-	2,185,000	20,780,000	2,280,000
<b>2008 Series</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 5% to 5.50%	128,450,000	-	2,440,000	126,010,000	4,550,000
<b>2009 Series</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 2% to 5%	61,945,000	-	-	61,945,000	2,165,000
Series C Bonds, uninsured, maturing serially through 2029, at interest rates from 2.375% to 5.5%	5,695,000	-	-	5,695,000	-
<b>2010 Series</b>					
Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3% to 5%	127,595,000	-	-	127,595,000	3,025,000
<b>2010 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates of 3.00% to 5.00%	-	68,570,000	-	68,570,000	4,865,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates of 2.00% to 4.00%	-	5,275,000	-	5,275,000	475,000
<b>2010B&amp;C Series</b>					
Series B Bonds, uninsured, maturing serially through 2030, at interest rates at 5%	-	117,265,000	-	117,265,000	-
Series C Bonds, uninsured, maturing serially through 2030, at interest rates of 3.00 to 4.375%	-	8,050,000	-	8,050,000	-
Total	1,458,348,346	<u>\$ 199,160,000</u>	<u>\$ 158,110,000</u>	1,499,398,346	93,974,223
Plus					
Unamortized net premiums	63,095,064			76,587,839	
Unamortized deferral on refunding	29,307,433			27,934,351	
Bonds payable - net	<u>\$ 1,550,750,843</u>			<u>\$ 1,603,920,536</u>	<u>\$ 93,974,223</u>

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2009	Issued	Retired	Balance at June 30, 2010	Amount Due Within One Year
<b>1995 Series</b>					
Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.60% to	\$ 685,000	\$ -	\$ 125,000	\$ 560,000	\$ 130,000
Series B Bonds, insured, maturing serially through 2009, at interest rates from 6.2% to 6.70%; \$1,015,000 term bond maturing in 2015 with mandatory redemptions commencing in 2010 in annual amounts ranging from \$140,000 to \$200,000 at 7.00%	1,150,000	-	135,000	1,015,000	140,000
<b>1997 Refunding Series</b>					
Series C Bonds, uninsured, maturing serially through 2010, at interest rates from 5.00% to	6,670,000	-	6,670,000	-	-
Series D Bonds, insured, maturing serially through 2012, at interest rates from 5.00% to	3,715,000	-	1,155,000	2,560,000	1,240,000
<b>1998 Refunding Series</b>					
Series C Bonds, uninsured, maturing serially through 2011, at interest rates from 4.10% to	12,610,000	-	4,000,000	8,610,000	4,190,000
Series D Bonds, uninsured, maturing serially through 2012, at interest rates from 4.10% to	2,200,000	-	695,000	1,505,000	730,000
Series E Bonds, uninsured, maturing serially through 2012, at interest rates from 4.10% to	5,080,000	-	1,610,000	3,470,000	1,690,000
Series F Bonds, insured, maturing serially through 2014, at interest rates from 4.3% to	6,100,000	-	1,105,000	4,995,000	1,155,000
Series G Bonds, insured, maturing serially through 2014, at an interest rate of 5.0%	9,585,000	-	1,735,000	7,850,000	1,820,000
<b>1998 Series</b>					
Series A Bonds, uninsured, maturing serially through 2016, at interest rates from 4.00% to 4.5%; \$7,025,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of \$3,734,400 and 2018 of \$3,595,000	4,210,000	-	345,000	3,865,000	360,000
Series B Bonds, uninsured AMT, maturing serially through 2016, at interest rates from 4.25% to 4.50%; \$1,250,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of \$610,000 and 2018 of	5,290,000	-	435,000	4,855,000	450,000
<b>1999 Series</b>					
Series A Bonds, uninsured, maturing serially through 2010, at interest rates from 4.75% to	2,565,000	-	2,565,000	-	-
Series B Bonds, uninsured AMT, maturing serially through 2019, at interest rates from 5.25% to 5.75%	1,675,000	-	115,000	1,560,000	120,000

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**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2009	Issued	Retired	Balance at June 30, 2010	Amount Due Within One Year
<b>2000 Series</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rates from 5.00% to 5.25%	\$ 18,370,000	\$ -	\$ 4,450,000	\$ 13,920,000	\$ 4,445,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates from 5.00% to 5.50%	5,085,000	-	320,000	4,765,000	330,000
<b>2001 Refunding Series</b>					
Series B Bonds, uninsured, maturing serially through 2010, at interest rates from 3.75% to 5.25%	640,000	-	640,000	-	-
<b>2001 Series</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 4.75%	43,885,000	-	6,575,000	37,310,000	6,420,000
Series B Bonds (AMT), uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	22,760,000	-	2,685,000	20,075,000	1,345,000
Series C Bonds (Federally Taxable), uninsured, maturing serially through 2021, at interest rates from 5.5% to 6.6%	1,045,000	-	55,000	990,000	60,000
<b>2002 Series</b>					
Series A Bonds, uninsured, maturing serially through 2022, at interest rates from 3.00% to 5.25%	27,035,000	-	4,710,000	22,325,000	3,965,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.00%	18,925,000	-	3,765,000	15,160,000	1,070,000
<b>2003 Refunding Series</b>					
Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.60% to 5.25%	17,735,000	-	4,260,000	13,475,000	4,465,000
<b>2003 Series</b>					
Series A Bonds, uninsured AMT, maturing serially through 2023, at interest rates from 3.00% to 5.00%	56,410,000	-	3,835,000	52,575,000	3,195,000
<b>2004 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2015, at interest rates from 5.00% to 5.25%	13,340,000	-	1,630,000	11,710,000	1,725,000
<b>2004 Series</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 4.375%	64,155,000	-	5,630,000	58,525,000	4,945,000
Series B Bonds (AMT), uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.50%	16,365,000	-	1,680,000	14,685,000	780,000
<b>2005 Series</b>					
Series A Bonds, uninsured, maturing serially through 2025, at interest rates from 4.00% to 5.00%	114,295,000	-	5,860,000	108,435,000	4,910,000
Series B Bonds (AMT), uninsured, maturing serially through 2025, at interest rates from 4.00% to 4.70%	2,930,000	-	120,000	2,810,000	125,000

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2009	Issued	Retired	Balance at June 30, 2010	Amount Due Within One Year
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with Weekly Interest Rate calculations	\$ 107,015,000	\$ -	\$ 18,601,654	\$ 88,413,346	\$ 5,525,834
<b>2006 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	39,580,000	-	370,000	39,210,000	-
Series B Bonds, uninsured, maturing serially through 2019, at interest rates from 4.00% to 5.00%	33,000,000	-	330,000	32,670,000	2,660,000
Series C Bonds, uninsured, maturing serially to 5.0%	17,410,000	-	1,635,000	15,775,000	1,700,000
Series D Bonds, uninsured, maturing serially to 5.0%	20,395,000	-	2,460,000	17,935,000	2,270,000
<b>2006 Series</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	146,870,000	-	3,010,000	143,860,000	4,250,000
Series B Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	21,345,000	-	830,000	20,515,000	845,000
<b>2007 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially 5.25%	51,940,000	-	-	51,940,000	-
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.25%	37,440,000	-	1,800,000	35,640,000	-
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.0%	38,830,000	-	-	38,830,000	-
Series D Bonds (AMT), uninsured, maturing 5.0%	2,600,000	-	275,000	2,325,000	290,000
<b>2007 Series</b>					
Series A Bonds, uninsured, maturing serially through 2027, at interest rates from 3.40% to 5.00%	216,105,000	-	9,125,000	206,980,000	8,790,000
<b>2008 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially 4.50%	25,065,000	-	2,100,000	22,965,000	2,185,000
<b>2008 Series</b>					
Series A Bonds, uninsured, maturing serially 5.50%	128,450,000	-	-	128,450,000	2,440,000
<b>2009 Series</b>					
Series A Bonds, uninsured, maturing serially 5%	-	61,945,000	-	61,945,000	-
Series C Bonds, uninsured, maturing serially through 2029, at interest rates from 2.375% to 5.5%	-	5,695,000	-	5,695,000	-
<b>2010 Series</b>					
Series A Bonds, uninsured, maturing serially 5%	-	127,595,000	-	127,595,000	-
Total	<u>1,370,555,000</u>	<u>\$ 195,235,000</u>	<u>\$ 107,441,654</u>	<u>1,458,348,346</u>	<u>80,760,834</u>
Plus					
Unamortized net premiums	53,086,503			63,095,064	
Unamortized deferral on refunding	31,717,856			29,307,433	
Bonds payable - net	<u>\$1,455,359,359</u>			<u>\$1,550,750,843</u>	<u>\$ 80,760,834</u>



**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

Annual debt service requirements to maturity for bonds outstanding are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2012	\$ 93,974,223	\$ 69,246,583	\$ 163,220,806
2013	95,799,223	63,299,937	159,099,160
2014	93,044,226	58,749,747	151,793,973
2015	91,489,221	54,024,936	145,514,157
2016	95,444,224	49,428,276	144,872,500
2017 through 2021	480,341,113	179,650,278	659,991,391
2022 through 2026	389,501,116	77,072,060	466,573,176
2027 through 2031	159,805,000	13,355,649	173,160,649
	<u>\$1,499,398,346</u>	<u>\$ 564,827,466</u>	<u>\$ 2,064,225,812</u>
Unamortized net premiums	\$ 76,587,839		
Unamortized deferral on refunding	27,934,351		
Bonds payable - net	<u>\$1,603,920,536</u>		

The Trust has no taxing power, and the State of New Jersey is not liable for the bonds of the Trust. The revenue bonds are not secured by the Trust, only by revenues and repayment of loans and investments. Certain bonds are insured by the Municipal Bond Investors Insurance Corporation, the Financial Guaranty Insurance Company or the AMBAC Indemnity Corporation.

**E. ADVANCE REFUNDING**

When conditions have warranted, the Trust has sold various issuances of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issuances were used to refund the outstanding bond issuances or to deposit, in an irrevocable escrow fund held by the escrow agent, an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Trust's financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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**E. ADVANCE REFUNDING (CONTINUED)**

These transactions defeased the outstanding bond issuances with a resultant reduction in annual debt service during the term of the issuances. The savings, together with any accounting gain or loss to be reported in the year of the refunding, accrue to the respective participants.

Refunded bonds outstanding at June 30, 2011, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2011
<b>2010A Refunding</b>	
2001 Series A	\$ 9,555,000
2002 Series A	7,705,000
2003 Series A	33,320,000
2004 Series A	2,530,000
2006 Series A	10,765,000
	<u>\$ 63,875,000</u>
<b>2007 Refunding</b>	
2001 Series A	\$ 61,215,000
2002 Series A	47,370,000
2004 Series A	42,565,000
	<u>\$ 151,150,000</u>
<b>Individual Borrower Defeasances</b>	
1996 Series A	\$ 275,000
1999 Series A	285,014
2000 Series A	370,000
2001 Series A	985,000
2001 Series B	2,484,000
2002 Series A	2,915,000
2002 Series B	2,780,000
2003 Series A	795,000
2004 Series A	910,000
2004 Series B	925,000
2005 Series A	1,165,000
2006 Series A	550,000
2006 Series B	20,000
2007 Series A	2,035,000
	<u>\$ 16,494,014</u>



**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

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NOTES TO FINANCIAL STATEMENTS

**F. LOANS RECEIVABLE**

The Trust provides loans to local governmental units and water purveyors to finance allowable costs of clean water and safe drinking water projects. The various Trust loans are grouped into a pool or pools and funded with the proceeds of Trust bonds or other obligations. Loan repayments are required at such times and in such amounts as will pay the debt service on the bonds as it becomes due. These loans, which are backed by the full faith and credit of each borrower, are repayable over 20 years and bear interest at rates from 2.0% to 6.6% per annum.

Each local government or private water company that borrows from the Trust posts a surety bond or letter of credit equal to the loan amount in favor of the Trust that is held by the Trust's trustee. These bonds are not callable or interest-bearing unless the borrower defaults upon its loan. The Trust has not guaranteed the debt of any borrower.

The Trust's loans receivable balance of \$1,275,564,891 and \$1,196,995,525 as of June 30, 2011 and 2010, consisted of outstanding loans issued of \$1,547,575,110 and \$1,501,494,824, net of undisbursed loan funds of \$272,010,219 and \$304,499,299, respectively.

Annual maturities for loans receivable are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>
2012	\$ 94,159,509
2013	96,526,822
2014	96,663,520
2015	96,572,432
2016	100,609,864
2017 through 2021	507,170,159
2022 through 2026	397,031,209
2027 through 2031	158,841,595
	<u>\$ 1,547,575,110</u>

**G. TRANSFER TO STATE OF NEW JERSEY**

The Interim Financing Program account was initially funded by a transfer from the State. The source of the transfer was repayments from prior loans made by NJDEP. For years ended June 30, 2011 and 2010, the Trust transferred back to the State \$0 and \$97,000,000, respectively, from this fund.

**H. MASTER PROGRAM TRUSTEE**

The New Jersey Wastewater Treatment Financing Program instituted the Master Program Trustee. Repayments from all loans made to borrowers by the Department of Environmental Protection since 1989 are now paid to US Bank (the "Master Program Trustee"). These funds provide additional security for the 1995 Trust Bonds and for any new Trust Bonds issued thereafter. These funds are held by the Master Program Trustee for up to a period of one year, after which time the funds are transferred to the State. The balance in the Master Program Trustee Account as of June 30, 2011 and 2010, was \$32,030,155 and \$32,287,567, respectively. This balance is not an asset of the Trust; however, it is available to pay obligations of the Trust in case of default by program participants. Therefore, this amount is not reflected in the Trust's financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**I. NET ASSETS**

The Trust's net assets are categorized as follows:

- Restricted for debt service
- Restricted for Interim Financing Trust Loan Program
- Unrestricted

Assets restricted for debt service include net assets that have been restricted in accordance with the terms of an award or agreement or by State law. Assets restricted for interim financing are restricted for short-term financing of allowable costs of environmental infrastructure projects. Unrestricted assets include all other net assets.

**J. OTHER MATTER**

An Event of Default currently exists under the terms of the Indenture (the "Indenture") pursuant to which the NJEIT issued its Environmental Infrastructure Revenue Bonds (Bergen County Improvement Authority - EnCap Golf Holdings, LLC Project), Series 2005 (the "NJEIT-EnCap Bonds"). Such Event of Default has created a corresponding Event of Default under the Loan Agreement, pursuant to which the NJEIT loaned the proceeds of the NJEIT-EnCap Bonds to EnCap Golf Holdings, LLC ("EnCap") for its Meadowlands remediation project. Simultaneously with the issuance of the NJEIT-EnCap Bonds, a Letter of Credit was issued by a bank syndicate (the "Letter of Credit Provider") to fully secure the payment of the principal and interest on the NJEIT-EnCap Bonds. The referenced Events of Default were triggered by the failure of EnCap to satisfy various reimbursement obligations to the Letter of Credit Provider. In response to the occurrence of the Event of Default under the Indenture, the Letter of Credit Provider exercised remedies to which it is entitled thereunder. Specifically, on September 28, 2007, the Letter of Credit Provider directed a mandatory tender of the NJEIT-EnCap Bonds, which mandatory tender was funded by a draw on the Letter of Credit. As a result, the Letter of Credit is no longer outstanding and the Letter of Credit Provider became the holder of 100% of the outstanding NJEIT-EnCap Bonds. Such NJEIT-EnCap Bonds are without recourse to the general funds of the NJEIT.

On May 8, 2008, EnCap filed a voluntary petition for relief pursuant to Chapter 11 of the United States Bankruptcy Code. An order dismissing the bankruptcy case was entered by the Bankruptcy Court on February 3, 2009. A Final Decree indicating that the case had been fully administered was entered on March 30, 2009.

On March 22, 2010, a final judgment was issued by the United States District Court for the Southern District of New York in Case 1:09-cv-01262-PAC, Wachovia Bank, National Association v. EnCap Golf Holdings, LLC et al., ordering The Bank of New York Mellon, as Trustee pursuant to the Indenture (the "Prior Trustee"), to pay to the Letter of Credit Provider, as holder of 100% of the outstanding NJEIT-EnCap Bonds, all amounts on deposit in the funds and accounts held by the Prior Trustee pursuant to the Indenture. Pursuant to such order and in accordance with the provisions of Section 8.07 of the Indenture, such amounts were applied on May 5, 2010 (i) first, to the payment of the fees, costs and expenses of the Prior Trustee and the Letter of Credit Provider and their respective counsel, (ii) second, to the payment of accrued and outstanding interest on the NJEIT-EnCap Bonds, and (iii) third, to the payment of principal of the NJEIT-EnCap Bonds.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

NOTES TO FINANCIAL STATEMENTS

**J. OTHER MATTER (CONTINUED)**

On August 13, 2010, (i) in accordance with that certain Agreement of Removal, Appointment and Acceptance, by and among the Prior Trustee, the Letter of Credit Provider and American Home Assurance Company (“American Home”), American Home replaced the Prior Trustee as trustee with respect to the NJEIT-EnCap Bonds pursuant to the Indenture, and (ii) in accordance with that certain Assigned Assets Sale and Assignment Agreement, by and between the Letter of Credit Provider and American Home, American Home acquired all of the NJEIT-EnCap Bonds from the Letter of Credit Provider. As of the date of this report, American Home continues to hold the NJEIT-EnCap Bonds.

The collateral securing the NJEIT-EnCap Bonds does not secure any of the annual financing programs of the NJEIT. Therefore, the events described above with respect to the NJEIT-EnCap Bonds and EnCap will have no impact upon any of the annual financing programs of the NJEIT and the payment of principal and interest with respect thereto.

**K. ROUNDING**

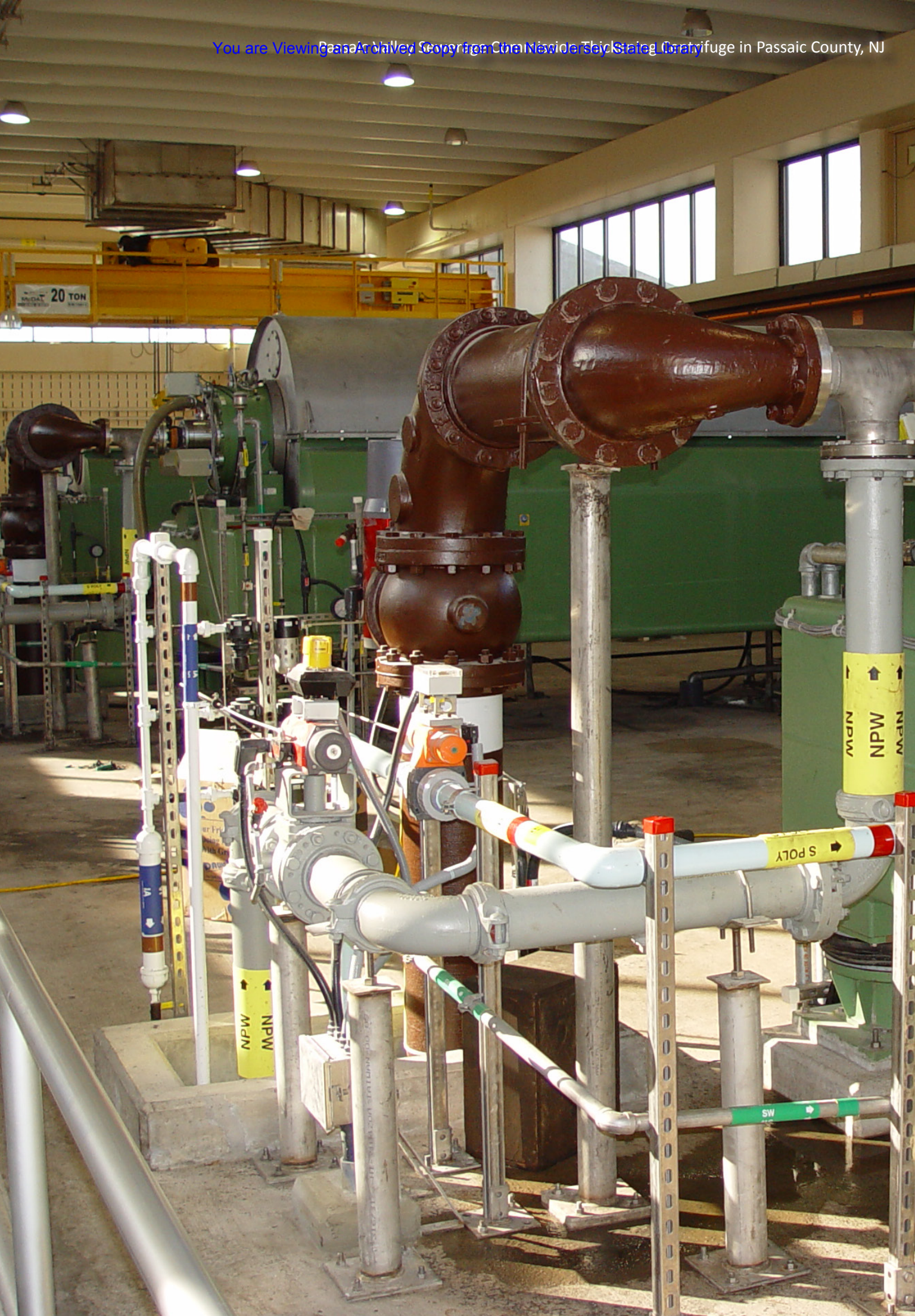
Some schedules in the financial statements may have slight differences due to rounding.

**L. SUBSEQUENT EVENTS**

Management has evaluated subsequent events that occurred after the balance sheet date but before October 12, 2011, the date the financial statements were available to be issued. The following items were determined by management to require disclosure in addition to events discussed in Note K above:

On August 17, 2011, the Trust Sold New Jersey of Environmental Infrastructure Refunding Bonds, \$3,095,000 of Series 2011A-R, which refunded all of the 1998B bonds, \$11,060,000 of Series 2011B-R, which refunded part of the 2001B bonds, and \$10,310,000 Series 2011C-R, which refunded part of the 2002B bonds. Closing took place on August 31, 2011.

The refunding Bond issuances were sold by competitive bid. The lowest bidder for all three series was Piper Jaffray & Co., with a true interest cost of 1.93% for the 2011 A-R series, 2.37% for the 2011B-R series and 2.62% for the 2011C-R series.



## APPENDIX B

# SFY 2010 INDEPENDENT AUDITOR'S REPORT

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Financial Statements	
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Statements of Revenues, Expenses and CINA.....	B7
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Notes to Financial Statements .....	B9-B23

## INDEPENDENT AUDITORS' REPORT

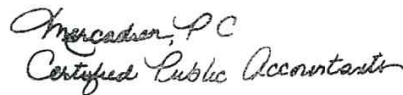
To The Board of Directors  
New Jersey Environmental Infrastructure Trust  
(A Component Unit of the State of New Jersey)

We have audited the accompanying balance sheets of New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey (the "Trust"), as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
*Mercadien, P.C.*  
*Certified Public Accountants*

October 8, 2010

- AN INDEPENDENTLY OWNED MEMBER,  
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- AMERICAN INSTITUTE OF  
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- NEW JERSEY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF  
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**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

This section of the annual financial report of New Jersey Environmental Infrastructure Trust (the "Trust") presents management's discussion and analysis of the Trust's financial performance during the fiscal year ended June 30, 2010. Please read this section in conjunction with the Trust's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

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- The Trust's net assets decreased by \$94,061,780, or 25%
- Cash and investments decreased by \$89,742,739 or 12%
- Bonds payable increased by \$95,391,483 or 7%

In 2001 and 2005 funds were appropriated by the State of New Jersey ("STATE") to the Trust to establish the interim financing program with the condition that when and if the funds were needed for the long term financing of loans the funds would be transferred back to the State. During fiscal year 2010 the funds were required, thus the Trust transferred \$97,000,000 to the State resulting in a 25% decrease in the Trust's net assets. The Trust was not required to establish a Debt Service Reserve Fund for the 2009 and 2010 Trust Bonds due to the significant amounts of funds held by the Master Program Trustee, which secure trust bonds. The decrease of cash and investments is a result of a court order required payment of approximately \$42.3 million to various parties noted in Note K of the financial statements in relation to the outstanding NJEIT – EnCap bonds. No refunding was done in 2010, therefore no excess principal payments were made. The increase in Bonds payable is due to the issuance of the 2009A, 2009C and 2010A Trust Bonds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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This comprehensive annual financial report consists of two parts, the Management's Discussion and Analysis (this section) and the basic financial statements, including notes. The Trust is an independent State financing entity. The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds.

The Trust's financial statements report information about the Trust using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the Trust's activities. The balance sheet includes all of the Trust's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to bondholders (liabilities). All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Trust's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and non-capital financing activities and provides answers to such questions as where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

**FINANCIAL ANALYSIS OF THE TRUST**

Since the purpose of the Trust is to improve the environment by making loans to government entities and water purveyors throughout the State, the Trust must sell bonds in order to provide the necessary funding for these projects. Therefore, when reviewing the Trust's balance sheet, its performance can be measured by its liabilities, not its assets. The bonds payable reflects the amount of bonds outstanding. The current assets consist of committed funds that have not been requested by the borrowers. The due from borrowers is the amount of loans net of funds not yet requisitioned. As a result, analyzing the assets would not be the appropriate measurement of the Trust's success. In addition, the Trust does not hold any capital assets. All capital assets are held by the borrowers.

Net Assets-The following table summarizes the balance sheet changes between June 30, 2010 and 2009:

	2010	2009	Percent Increase (Decrease)
Current assets	\$ 557,114,363	\$ 794,414,351	(30%)
Non-current assets	1,305,242,860	1,073,875,168	22%
Total assets	<u>1,862,357,223</u>	<u>1,868,289,519</u>	(0%)
Bonds payable	1,550,750,842	1,455,359,359	7%
Other liabilities	23,999,508	31,261,507	(23%)
Total liabilities	<u>1,574,750,350</u>	<u>1,486,620,866</u>	6%
Restricted	256,762,164	352,764,044	(27%)
Unrestricted	30,844,709	28,904,609	7%
Total net assets	<u>\$ 287,606,873</u>	<u>\$ 381,668,653</u>	(25%)

The table above illustrates that the Trust's net assets have decreased from \$381,668,653 to \$287,606,873. As previously noted, the Trust was required to transfer \$97,000,000 of funds appropriated to the Trust by the State for the purpose of funding long term loans back to the State, which resulted in a 25% decrease in the Trust's net assets. The total amount deposited to the Project Fund from bond proceeds was \$193,071,762. The remaining amount is unrestricted funds. At June 30, 2010, bonds payable amounted to \$1,550,750,843. During the year, the Trust issued bonds in the amount of \$195,235,000 and retired \$107,441,654.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2010

**FINANCIAL ANALYSIS OF THE TRUST (CONTINUED)**

The following table summarizes the changes in net assets between fiscal years 2010 and 2009:

	2010	2009	Percent Increase (Decrease)
Operating revenues	\$ 81,254,579	\$ 75,628,269	7%
Net interim financing activity	-	5,027,026	(100%)
Total revenues	<u>81,254,579</u>	<u>80,655,295</u>	1%
Interest expense	73,592,756	61,264,022	20%
Administrative expenses	4,725,360	3,274,170	44%
Transfer to state	96,998,243	10,000,000	870%
Total expenses and transfer	<u>175,316,359</u>	<u>74,538,192</u>	135%
Change in net assets	<u>\$ (94,061,780)</u>	<u>\$ 6,117,103</u>	(1638%)

While the balance sheets show the change in financial position, the statements of revenues, expenses and changes in net assets illustrate the investment income and interest repayments from the borrowers as compared to the interest expense payments made on the outstanding bonds. The difference represents investment income earned on the Project Fund investments and the Debt Service Fund. In both cases, these funds are credited to the borrowers through reduced interest payments; the Trust does not benefit from this income. The Trust collects an administrative fee from all borrowers for the duration of their loans. This covers the operating expenses of the Trust.

"Net Interim Financing Activity" represents the balance in the Interim Financing Program Account. The balance is the net of the redeemed interim loans from the 2009 Financing Program and the outstanding interim loans for the 2010 Financing Program as of June 30, 2010. The Interim Financing Account was initially funded by a transfer from the State as discussed in the financial highlights section of the Management's Discussion and Analysis. The source of the transfer was repayments from prior loans made by the New Jersey Department of Environmental Protection under the Environmental Infrastructure Financing Program. "Transfer to State" is a transfer of funds back to the State.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

(A Component Unit of the State of New Jersey)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

June 30, 2010

**OTHER FINANCIAL INFORMATION**

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On December 2, 2009, the Trust sold, by competitive bid, Series 2009A and C bonds to capitalize the 2009 New Jersey Environmental Infrastructure Financing Program. Under the Trust Direct Loan Program, 19 projects received funding during this fiscal year.

The Environmental Infrastructure Bonds Series 2009A were sold to Merrill Lynch & Co., which was the low bidder with a true interest cost of 3.52%. The bond series was tax-exempt and uninsured and was rated AAA, Aaa and AAA by Fitch Investors Services, Inc., Moody's Investors Service, and Standard & Poor's Corp., respectively. As a result of these issues, 30 projects received funding.

On December 2, 2009, the Environmental Infrastructure Bonds Series 2009C were sold to Roosevelt & Cross, Inc., which was the low bidder with a true interest cost of 5.23%. The bond series was federally taxable and uninsured and was rated AAA, Aaa and AAA by Fitch Investors Services, Inc. Moody's Investors Service and Standard & Poor's Corp., respectively. As a result of the issue, one project received funding.

On February 24, 2010, the Environmental Infrastructure Bonds Series 2010A were sold to Wachovia Bank, N.A., which was the low bidder with a true interest cost of 3.38%. The bond series was tax exempt and uninsured and was rated AAA, Aaa and AAA by Fitch Investors Services, Inc., Moody's Investors Service and Standard & Poor's Corp., respectively. As a result of the issue, 116 projects received funding.

Loans to borrowers in the 2009 program combine proceeds of the bond sale, lent at market rate, with interest-free loans from the State of New Jersey, Department of Environmental Protection Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Thus, most public borrowers will pay a composite interest rate on their loans of under 1%.

**CONTACTING THE TRUST'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide citizens, borrowers, investors and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the State appropriations and bond proceeds it receives. If you have any questions about this report or need additional financial information, contact the Trust's Acting Executive Director at 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey 08648.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

BALANCE SHEETS

	June 30,	
	2010	2009
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 26,700,072	\$ 23,700,252
Other assets	2,310,355	2,956,768
Restricted assets		
Cash and cash equivalents	274,310,232	307,565,718
Investments	146,700,648	343,440,849
Interest receivable	22,153,788	31,602,157
Loans receivable	84,939,268	85,148,607
Total Current Assets	<u>557,114,363</u>	<u>794,414,351</u>
Non-current Assets		
Fixed assets	36,330	51,310
Restricted assets		
Investments	183,772,443	46,519,315
Loans receivable	1,112,056,257	1,018,434,563
Deferred issuance costs	9,377,830	8,869,980
Total Non-current Assets	<u>1,305,242,860</u>	<u>1,073,875,168</u>
Total Assets	<u>\$ 1,862,357,223</u>	<u>\$ 1,868,289,519</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 881,689	\$ 715,638
Accrued interest payable	23,117,819	30,545,869
Current portion of bonds payable	80,760,834	80,835,000
Total Current Liabilities	<u>104,760,342</u>	<u>112,096,507</u>
Non-current Liabilities		
Bonds payable	<u>1,469,990,008</u>	<u>1,374,524,359</u>
Total Non-current Liabilities	<u>1,469,990,008</u>	<u>1,374,524,359</u>
Total Liabilities	<u>1,574,750,350</u>	<u>1,486,620,866</u>
Net Assets		
Restricted for debt service	245,009,619	244,458,364
Restricted for Interim Financing Trust Loan Program	11,752,545	108,305,680
Unrestricted	30,844,709	28,904,609
Total Net Assets	<u>287,606,873</u>	<u>381,668,653</u>
Total Liabilities and Net Assets	<u>\$ 1,862,357,223</u>	<u>\$ 1,868,289,519</u>

See notes to financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year ended June 30,	
	2010	2009
Operating revenues		
Investment income	\$ 7,740,947	\$ 7,619,122
Interest income from loans	67,240,132	62,384,852
Administrative fees	6,273,500	5,624,295
Total operating revenues	<u>81,254,579</u>	<u>75,628,269</u>
Operating expenses		
Interest expense	73,592,756	61,264,022
Administrative expenses	4,725,360	3,274,170
Total operating expenses	<u>78,318,116</u>	<u>64,538,192</u>
Operating income	<u>2,936,463</u>	<u>11,090,077</u>
Non-operating revenues (expenses)		
Net interim financing activity	-	5,027,026
Transfer to state	<u>(96,998,243)</u>	<u>(10,000,000)</u>
Total non-operating expenses	<u>(96,998,243)</u>	<u>(4,972,974)</u>
Change in net assets	(94,061,780)	6,117,103
Net assets, beginning of year	<u>381,668,653</u>	<u>375,551,550</u>
Net assets, end of year	<u>\$287,606,873</u>	<u>\$381,668,653</u>

See notes to financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
(A Component Unit of the State of New Jersey)

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2010	2009
<b>Cash Flow from Operating Activities</b>		
Cash received for administrative fees	\$ 6,857,724	\$ 5,158,388
Cash payments for goods and services	(3,342,487)	2,049,695
Cash payments for salaries	(1,201,330)	(1,385,886)
Disbursement of loan funds to borrowers	(204,988,069)	(170,187,451)
Principal received from loans to borrowers	111,295,997	70,313,711
Interest received from loans to borrowers	77,220,386	49,914,602
Interest paid on bond maturities	(85,550,601)	(63,399,998)
Interest on investments	5,074,780	9,465,368
Net cash used in operating activities	<u>(94,633,600)</u>	<u>(98,071,570)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds from sale of bonds	208,365,300	132,802,998
Principal paid on bond maturities	(107,441,654)	(70,025,000)
Issuance and servicing costs paid	(1,510,218)	(464,065)
State appropriations paid	(96,998,243)	(4,972,974)
Net cash provided by non-capital financing activities	<u>2,415,185</u>	<u>57,340,958</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of fixed assets	17,858	(36,727)
Net cash provided by (used in) capital and related financing activities	<u>17,858</u>	<u>(36,727)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(282,180,408)	(324,395,700)
Proceeds from sale and maturity of investments	344,125,299	337,687,455
Net cash provided by investing activities	<u>61,944,891</u>	<u>13,291,755</u>
Net decrease in cash and cash equivalents	(30,255,666)	(27,475,586)
Cash and cash equivalents, beginning of year	331,265,970	358,741,556
Cash and cash equivalents, end of year	<u>\$ 301,010,304</u>	<u>\$ 331,265,970</u>
<b>Reconciliation of Operating Income to Net Cash Used In Operating Activities</b>		
Operating income	\$ 2,936,463	\$ 11,090,077
Adjustments to reconcile operating income to net cash used in operating activities		
Depreciation	(2,878)	12,301
Net unrealized gain on investments	(2,457,819)	7,519
Amortization of bond discounts and premiums	(3,121,740)	(2,905,418)
Amortization of deferral on bond refunding	(2,410,423)	(2,010,437)
Amortization of deferred issuance costs	1,002,368	678,996
Change in assets and liabilities		
(Increase) decrease in other assets	646,413	(405,181)
(Increase) decrease in interest receivable	9,448,369	(10,826,334)
Increase in loans receivable	(93,412,355)	(99,728,599)
(Decrease) increase in accounts payable	166,051	(322,235)
Increase (decrease) in accrued interest payable	(7,428,049)	6,337,741
Net cash used in operating activities	<u>(94,633,600)</u>	<u>(98,071,570)</u>
<b>Displayed as</b>		
Cash and cash equivalents - unrestricted	26,700,072	23,700,252
Cash and cash equivalents - restricted	274,310,232	307,565,718
	<u>\$ 301,010,304</u>	<u>\$ 331,265,970</u>

See notes to financial statements.

## NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

(A Component Unit of the State of New Jersey)

### NOTES TO FINANCIAL STATEMENTS

#### A. ORGANIZATION AND FUNCTION OF THE TRUST

The New Jersey Wastewater Treatment Trust was created by the Legislature of the State of New Jersey (the “State”) in November 1985 as an independent State financing authority. On June 23, 1997, the State Legislature passed amendments to rename the entity the New Jersey Environmental Infrastructure Trust (the “Trust”). The Trust leverages federal and state dollars to finance environmental infrastructure projects. It issues revenue bonds in order to make loans to local governments and private water companies for the construction and rehabilitation of eligible projects. The Trust is a component unit of the State of New Jersey, and accordingly, the financial statements of the Trust are included in the financial statements of the State of New Jersey.

In addition to a loan from the Trust, the borrowers receive a zero percent interest-free loan administered by the New Jersey Department of Environmental Protection (the “Department”). The sources for the loans are State general obligation bond issuances that were approved to capitalize the various loan funds and the Federal Capitalization Grant under the Clean Water Act and the Drinking Water Act (the “Funds”). The accompanying financial statements do not include any assets, liabilities or fund balances of the Funds. However, the financial statements of the Funds are included as additional information in the accompanying comprehensive annual financial report of the Trust. Under the terms of the Trust agreement, the assets of the Trust cannot be used to satisfy the obligations of the Funds.

The Trust may finance up to 50% of the allowable project costs. The Fund may finance up to 75% of the allowable project costs. The Trust lends its share of allowable costs to borrowers for various terms up to a maximum of 20 years at a rate equal to or less than the interest rate on its revenue bonds. Such loan repayments will be used to pay debt service on the Trust’s revenue bonds. The Trust maintains an internally designated State Revolving Fund, which consists of Clean Water and Drinking Water projects, to separately account for the portion of these Trust loan financings that have been matched by federal sources from the Fund.

The Trust is administered by an Executive Director and staff, under the guidance of the Board of Directors, that appoint trustees (currently both U.S. Bank and the Bank of New York Mellon) and loan servicers (currently U.S. Bank, the Bank of New York Mellon and TD Bank). The initial proceeds from a bond issuance are invested and held by the trustee. The Trust authorizes the trustee to disburse funds to the borrowers based on a review and approval process to verify that the disbursed funds are within the drawdown limits outlined in the loan agreements. The loan servicer receives all repayments of principal and interest from the borrowers and forwards such funds to the trustee and the Master Program Trustee (U.S. Bank) or the department, as appropriate. The trustee invests the monies received in the applicable fund (see Note C). For the 2004 bond issuances and for future issuances, the Trust’s accounting staff is acting as loan servicer.

As a public body under existing statute, the Trust is exempt from both federal and state taxes.



## NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

(A Component Unit of the State of New Jersey)

### NOTES TO FINANCIAL STATEMENTS

#### B. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies:

##### **Basis of Accounting**

The accrual basis of accounting is followed by the Trust.

In its accounting and financial reporting, the Trust follows the pronouncements of the Governmental Accounting Standards Board (“GASB”) and other entities that promulgate accounting principles. Per GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants (“AICPA”) Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specially applicable to state and governmental entities; Financial Accounting Standards Board (“FASB”) Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Trust has elected to follow GASB pronouncements issued after November 30, 1989.

As required by Executive Order No. 122 (McGreevey), the Trust’s financial statements are audited in accordance with Generally Accepted Government Auditing Standards (“GAGAS”), issued by the Comptroller General of the United States of America, on behalf of the United States Government Accountability Office (“GAO”).

##### **Cash and Cash Equivalents and Investments**

Investments are purchased with the intent to hold to maturity. Investments, which consist primarily of U.S. Government obligations, are stated at fair value and mature in periods ranging from one to five years. Cash equivalents include funds invested in the New Jersey Cash Management Fund, First American Government Obligation and the Goldmans Treasury Obligation Money Market Fund.

##### **Deferred Issuance Costs**

Bond issuance costs, primarily underwriting discounts, are amortized over the life of the related bond issuance using the effective interest method.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

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**C. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

New Jersey statutes permit the deposit of public funds into the State of New Jersey Cash Management Fund (the “NJCMF”) or into institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation or by any other agencies of the United States that insure deposits.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds; or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**Custodial Credit Risk**

The Trust does not have a policy for custodial credit risk. However, the NJCMF is a pooled investment. GASB Statement 40 states that pooled investments are excluded from custodial credit risk disclosure.

Cash and cash equivalents and investments are substantially restricted under the terms of the Trust’s bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution.

The amounts deposited in these accounts, are as follows:

	June 30,	
	2010	2009
Operating Checking (Wachovia)	\$ 96,075	\$ 61,270
Cash Management Fund	251,335	1,158,494
Investments (categorized as cash equiv)	21,352,260	21,094,867
First American Treasury (US Bank MM)	218,250,463	200,681,165
Trust US Treasury (BONY MM)	61,060,171	108,270,174
TOTAL	\$ 301,010,304	\$ 331,265,970

Pursuant to the bond resolutions, the Trust is required to maintain certain invested reserves with the trustees to fund potential deficiencies in principal and interest required to be paid in succeeding fiscal years. The funds known as the debt service reserve requirement aggregated \$250,816,702 and \$249,334,753 at June 30, 2010 and 2009, respectively, and are included in net assets.

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**C. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk (Continued)**

As of June 30, 2010 and 2009, the Trust had the following investments and maturities:

Investment Type	June 30, 2010				
	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	More than 10
US Treasury Bills	\$ 16,716,215	\$ 16,716,215	\$ -	\$ -	\$ -
US Treasury Notes	128,018,080	17,741,871	110,276,209	-	-
US Treasury SLUGs	83,476,507	64,734,345	18,742,162	-	-
US Gov't Other	101,262,323	46,508,250	54,754,073	-	-
Uninvested Cash	999,967	999,967	-	-	-
	<u>\$330,473,092</u>	<u>\$146,700,648</u>	<u>\$183,772,444</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Type	June 30, 2009				
	Fair Value	Investment Maturity (In Years)			
		Less than 1	1-5	6-10	More than 10
US Treasury Bills	\$102,103,051	\$102,103,051	\$ -	\$ -	\$ -
US Treasury Notes	36,320,217	12,788,823	23,531,394	-	-
US Treasury SLUGs	43,669,386	24,315,088	19,354,298	-	-
US Gov't Other	207,377,098	203,743,475	3,633,623	-	-
Uninvested Cash	490,412	490,412	-	-	-
	<u>\$389,960,164</u>	<u>\$343,440,849</u>	<u>\$ 46,519,315</u>	<u>\$ -</u>	<u>\$ -</u>

**Credit Risk**

The Trust's restricted investment policies are disclosed above under the custodial credit risk section. Investments of the Trust are guaranteed by the U.S. government.

**Interest Rate Risk**

The Trust does not have a policy to limit interest rate risk. However, the Trust's investments are limited to U.S. obligations with fixed interest rates.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE**

Changes in bonds payable for the year ended June 30, 2010, were as follows:

	Balance at June 30, 2009	Issued	Retired	Balance at June 30, 2010	Amount Due Within One Year
<b>1995 Series</b>					
Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.60% to 5.25%	\$ 685,000	\$ -	\$ 125,000	\$ 560,000	\$ 130,000
Series B Bonds, insured, maturing serially through 2009, at interest rates from 6.2% to 6.70%; \$1,015,000 term bond maturing in 2015 with mandatory redemptions commencing in 2010 in annual amounts ranging from \$140,000 to \$200,000 at 7.00%	1,150,000	-	135,000	1,015,000	140,000
<b>1997 Refunding Series</b>					
Series C Bonds, uninsured, maturing serially through 2010, at interest rates from 5.00% to 7.00%	6,670,000	-	6,670,000	-	-
Series D Bonds, insured, maturing serially through 2012, at interest rates from 5.00% to 7.00%	3,715,000	-	1,155,000	2,560,000	1,240,000
<b>1998 Refunding Series</b>					
Series C Bonds, uninsured, maturing serially through 2011, at interest rates from 4.10% to 5.00%	12,610,000	-	4,000,000	8,610,000	4,190,000
Series D Bonds, uninsured, maturing serially through 2012, at interest rates from 4.10% to 5.0%	2,200,000	-	695,000	1,505,000	730,000
Series E Bonds, uninsured, maturing serially through 2012, at interest rates from 4.10% to 5.0%	5,080,000	-	1,610,000	3,470,000	1,690,000
Series F Bonds, insured, maturing serially through 2014, at interest rates from 4.3% to 5.0%	6,100,000	-	1,105,000	4,995,000	1,155,000
Series G Bonds, insured, maturing serially through 2014, at an interest rate of 5.0%	9,585,000	-	1,735,000	7,850,000	1,820,000
<b>1998 Series</b>					
Series A Bonds, uninsured, maturing serially through 2016, at interest rates from 4.00% to 4.5%; \$7,025,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of	4,210,000	-	345,000	3,865,000	360,000
Series B Bonds, uninsured AMT, maturing serially through 2016, at interest rates from 4.25% to 4.50%; \$1,250,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of \$610,000 and 2018 of \$640,000	5,290,000	-	435,000	4,855,000	450,000
<b>1999 Series</b>					
Series A Bonds, uninsured, maturing serially through 2010, at interest rates from 4.75% to 5.70%	2,565,000	-	2,565,000	-	-
Series B Bonds, uninsured AMT, maturing serially through 2019, at interest rates from 5.25% to 5.75%	1,675,000	-	115,000	1,560,000	120,000

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2009	Issued	Retired	Balance at June 30, 2010	Amount Due Within One Year
<b>2000 Series</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rates from 5.00% to 5.25%	\$ 18,370,000	\$ -	\$ 4,450,000	\$ 13,920,000	\$ 4,445,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates from 5.00% to 5.50%	5,085,000	-	320,000	4,765,000	330,000
<b>2001 Refunding Series</b>					
Series B Bonds, uninsured, maturing serially through 2010, at interest rates from 3.75% to 5.25%	640,000	-	640,000	-	-
<b>2001 Series</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 4.75%	43,885,000	-	6,575,000	37,310,000	6,420,000
Series B Bonds (AMT), uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	22,760,000	-	2,685,000	20,075,000	1,345,000
Series C Bonds (Federally Taxable), uninsured, maturing serially through 2021, at interest rates from 5.5% to 6.6%	1,045,000	-	55,000	990,000	60,000
<b>2002 Series</b>					
Series A Bonds, uninsured, maturing serially through 2022, at interest rates from 3.00% to 5.25%	27,035,000	-	4,710,000	22,325,000	3,965,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.00%	18,925,000	-	3,765,000	15,160,000	1,070,000
<b>2003 Refunding Series</b>					
Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.60% to 5.25%	17,735,000	-	4,260,000	13,475,000	4,465,000
<b>2003 Series</b>					
Series A Bonds, uninsured AMT, maturing serially through 2023, at interest rates from 3.00% to 5.00%	56,410,000	-	3,835,000	52,575,000	3,195,000
<b>2004 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2015, at interest rates from 5.00% to 5.25%	13,340,000	-	1,630,000	11,710,000	1,725,000
<b>2004 Series</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 4.375%	64,155,000	-	5,630,000	58,525,000	4,945,000
Series B Bonds (AMT), uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.50%	16,365,000	-	1,680,000	14,685,000	780,000
<b>2005 Series</b>					
Series A Bonds, uninsured, maturing serially through 2025, at interest rates from 4.00% to 5.00%	114,295,000	-	5,860,000	108,435,000	4,910,000
Series B Bonds (AMT), uninsured, maturing serially through 2025, at interest rates from 4.00% to 4.70%	2,930,000	-	120,000	2,810,000	125,000

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2009	Issued	Retired	Balance at June 30, 2010	Amount Due Within One Year
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with Weekly Interest Rate calculations	\$ 107,015,000	\$ -	\$ 18,601,654	\$ 88,413,346	\$ 5,525,834
<b>2006 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	39,580,000	-	370,000	39,210,000	-
Series B Bonds, uninsured, maturing serially through 2019, at interest rates from 4.00% to 5.00%	33,000,000	-	330,000	32,670,000	2,660,000
Series C Bonds, uninsured, maturing serially to 5.0%	17,410,000	-	1,635,000	15,775,000	1,700,000
Series D Bonds, uninsured, maturing serially to 5.0%	20,395,000	-	2,460,000	17,935,000	2,270,000
<b>2006 Series</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	146,870,000	-	3,010,000	143,860,000	4,250,000
Series B Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	21,345,000	-	830,000	20,515,000	845,000
<b>2007 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially 5.25%	51,940,000	-	-	51,940,000	-
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.25%	37,440,000	-	1,800,000	35,640,000	-
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.0%	38,830,000	-	-	38,830,000	-
Series D Bonds (AMT), uninsured, maturing 5.0%	2,600,000	-	275,000	2,325,000	290,000
<b>2007 Series</b>					
Series A Bonds, uninsured, maturing serially through 2027, at interest rates from 3.40% to 5.00%	216,105,000	-	9,125,000	206,980,000	8,790,000
<b>2008 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially 4.50%	25,065,000	-	2,100,000	22,965,000	2,185,000
<b>2008 Series</b>					
Series A Bonds, uninsured, maturing serially 5.50%	128,450,000	-	-	128,450,000	2,440,000
<b>2009 Series</b>					
Series A Bonds, uninsured, maturing serially 5%	-	61,945,000	-	61,945,000	-
Series C Bonds, uninsured, maturing serially through 2029, at interest rates from 2.375% to 5.5%	-	5,695,000	-	5,695,000	-
<b>2010 Series</b>					
Series A Bonds, uninsured, maturing serially 5%	-	127,595,000	-	127,595,000	-
Total	1,370,555,000	\$ 195,235,000	\$ 107,441,654	1,458,348,346	80,760,834
Plus					
Unamortized net premiums	53,086,503			63,095,064	
Unamortized deferral on refunding	31,717,856			29,307,433	
Bonds payable - net	<u>\$1,455,359,359</u>			<u>\$1,550,750,843</u>	<u>\$ 80,760,834</u>

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009	Amount Due Within One Year
<b>1995 Series</b>					
Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.60% to 5.25%	\$ 805,000	\$ -	\$ 120,000	\$ 685,000	\$ 125,000
Series B Bonds, insured, maturing serially through 2009, at interest rates from 6.2% to 6.70%; \$1,015,000 term bond maturing in 2015 with mandatory redemptions commencing in 2010 in annual amounts ranging from \$140,000 to \$200,000 at 7.00%	1,275,000	-	125,000	1,150,000	135,000
<b>1997 Refunding Series</b>					
Series A Bonds, insured, maturing serially through 2009, at interest rates from 5.00% to 7.00%	3,120,000	-	3,120,000	-	-
Series B Bonds, uninsured, maturing serially through 2009, at interest rates from 5.00%	2,955,000	-	2,955,000	-	-
Series C Bonds, uninsured, maturing serially through 2010, at interest rates from 5.00% to 7.00%	12,915,000	-	6,245,000	6,670,000	6,670,000
Series D Bonds, insured, maturing serially through 2011, at interest rates from 5.00% to 7.00%	4,795,000	-	1,080,000	3,715,000	1,155,000
<b>1997 Series</b>					
Series 1997 Bonds, uninsured, maturing serially through 2014, at interest rates from 4.00% to 5.00%; \$7,985,000 term bond maturing in 2017 with mandatory redemptions commencing in 2015 of \$2,979,250, in 2016 of \$2,980,250 and 2017 of \$2,829,750	1,930,000	-	1,930,000	-	-
<b>1998 Refunding Series</b>					
Series C Bonds, uninsured, maturing serially through 2011, at interest rates from 4.10% to 5.00%	16,420,000	-	3,810,000	12,610,000	4,000,000
Series D Bonds, uninsured, maturing serially through 2012, at interest rates from 4.10% to 5.0%	2,865,000	-	665,000	2,200,000	695,000
Series E Bonds, uninsured, maturing serially through 2012, at interest rates from 4.10% to 5.0%	6,620,000	-	1,540,000	5,080,000	1,610,000
Series F Bonds, insured, maturing serially through 2014, at interest rates from 4.3% to 5.0%	7,160,000	-	1,060,000	6,100,000	1,105,000
Series G Bonds, insured, maturing serially through 2014, at an interest rate of 5.0%	11,240,000	-	1,655,000	9,585,000	1,735,000
<b>1998 Series</b>					
Series A Bonds, uninsured, maturing serially through 2016, at interest rates from 4.00% to 4.5%; \$7,025,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of \$3,734,400 and 2018 of \$3,595,000	6,640,000	-	2,430,000	4,210,000	345,000
Series B Bonds, uninsured AMT, maturing serially through 2016, at interest rates from 4.25% to 4.50%; \$1,250,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of \$610,000 and 2018 of \$640,000	5,700,000	-	410,000	5,290,000	435,000
<b>1999 Series</b>					
<b>Series A Bonds, uninsured, maturing serially through 2019,</b> at interest rates from 4.75% to 5.70%	5,010,000	-	2,445,000	2,565,000	2,565,000
Series B Bonds, uninsured AMT, maturing serially through 2019, at interest rates from 5.25% to 5.75%	1,785,000	-	110,000	1,675,000	115,000

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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009	Amount Due Within One Year
<b>2000 Series</b>					
Series A Bonds, uninsured, maturing serially through 2020 at interest rates from 5.00% to 5.25%	\$ 22,445,000	\$ -	\$ 4,075,000	\$ 18,370,000	\$ 4,275,000
Series B Bonds, uninsured, maturing serially through 2020, at interest rates from 5.00% to 5.50%	5,385,000	-	300,000	5,085,000	320,000
<b>2001 Refunding Series</b>					
Series A Bonds, insured, maturing serially through 2009, at interest rates from 4.60% to 5.25%	555,000	-	555,000	-	-
Series B Bonds, uninsured, maturing serially through 2010, at interest rates from 3.75% to 5.25%	1,240,000	-	600,000	640,000	640,000
<b>2001 Series</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 4.75%	50,105,000	-	6,220,000	43,885,000	6,575,000
Series B Bonds AMT, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%	23,985,000	-	1,225,000	22,760,000	1,285,000
Series C Bonds (federally taxable), uninsured, maturing serially through 2021, at interest rates from 5.5% to 6.6%	1,100,000	-	55,000	1,045,000	55,000
<b>2002 Series</b>					
Series A Bonds, uninsured, maturing serially through 2022, at interest rates from 3.00% to 5.25%	30,770,000	-	3,735,000	27,035,000	3,900,000
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.00%	19,910,000	-	985,000	18,925,000	1,025,000
<b>2003 Refunding Series</b>					
Series A Bonds, insured, maturing serially through March 2013, at interest rates from 4.60% to 5.25%	21,790,000	-	4,055,000	17,735,000	4,260,000
<b>2003 Series</b>					
Series A Bonds, uninsured, AMT, maturing serially through 2023, at interest rates from 3.00% to 5.00%	59,290,000	-	2,880,000	56,410,000	3,040,000
<b>2004 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2015, at interest rates from 5.00% to 5.25%	14,890,000	-	1,550,000	13,340,000	1,630,000
<b>2004 Series</b>					
Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 4.375%	68,650,000	-	4,495,000	64,155,000	4,720,000
Series B Bonds AMT, uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.50%	17,095,000	-	730,000	16,365,000	755,000
<b>2005 Series</b>					
Series A Bonds, uninsured, maturing serially through 2025, at interest rates from 4.00% to 5.00%	117,915,000	-	3,620,000	114,295,000	4,695,000
Series B Bonds AMT, uninsured maturing serially through 2025, at interest rates from 4.00% to 4.70%	3,045,000	-	115,000	2,930,000	120,000
<b>2005 BCIA/ENCAP Golf Holdings</b>					
Variable rate bond series maturing through 2025, with weekly interest rate calculations	107,015,000	-	-	107,015,000	6,295,000



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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009	Amount Due Within One Year
<b>2006 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%	\$ 39,580,000	\$ -	\$ -	\$ 39,580,000	\$ -
Series B Bonds, uninsured, maturing serially through 2019, at interest rates from 4.00% to 5.00%	33,000,000	-	-	33,000,000	-
Series C Bonds, uninsured, maturing serially through 2017, at interest rates from 4.0% to 5.0%	17,410,000	-	-	17,410,000	1,635,000
Series D Bonds, uninsured, maturing serially through 2016, at interest rates from 4.0% to 5.0%	22,495,000	-	2,100,000	20,395,000	2,185,000
<b>2006 Series</b>					
Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	148,850,000	-	1,980,000	146,870,000	2,460,000
Series B Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%	22,130,000	-	785,000	21,345,000	810,000
<b>2007 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.00% to 5.25%	51,940,000	-	-	51,940,000	-
Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.25%	37,440,000	-	-	37,440,000	-
Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.0%	38,830,000	-	-	38,830,000	-
Series D Bonds AMT, uninsured, maturing serially through 2016, at interest rate of 5.0%	2,865,000	-	265,000	2,600,000	275,000
<b>2007 Series</b>					
Series A Bonds, uninsured, maturing serially through 2027, at interest rates from 3.40% to 5.00%	216,105,000	-	-	216,105,000	7,090,000
<b>2008 Refunding Series</b>					
Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 3.25% to 4.50%	25,065,000	-	-	25,065,000	2,100,000
<b>2008 Series</b>					
Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 5% to 5.50%	-	128,450,000	-	128,450,000	-
Total	1,312,130,000	<u>\$ 128,450,000</u>	<u>\$ 70,025,000</u>	1,370,555,000	80,835,000
Plus					
Unamortized net premiums	51,638,923			53,086,503	
Unamortized deferral on refunding	33,728,293			31,717,856	-
Bonds payable - net	<u>\$ 1,397,497,216</u>			<u>\$ 1,455,359,359</u>	<u>\$ 80,835,000</u>

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

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NOTES TO FINANCIAL STATEMENTS

**D. BONDS PAYABLE (CONTINUED)**

Each local government or private water company that borrows from the Trust posts a surety bond or letter of credit equal to the loan amount in favor of the Trust that is held by the Trust's trustee. These bonds are not callable or interest-bearing unless the borrower defaults upon its loan. The Trust has not guaranteed the debt of any borrower.

Annual debt service requirements to maturity for bonds outstanding are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 80,760,834	\$ 63,837,026	\$ 144,597,860
2012	93,770,834	59,350,642	153,121,476
2013	92,495,834	55,113,679	147,609,513
2014	89,190,834	50,958,316	140,149,150
2015	89,300,834	46,872,964	136,173,798
2016 through 2020	456,574,170	173,226,662	629,800,832
2021 through 2025	383,034,171	77,234,728	460,268,899
2026 through 2030	173,220,835	14,048,861	187,269,696
	<u>\$1,458,348,346</u>	<u>\$ 540,642,878</u>	<u>\$ 1,998,991,224</u>
Unamortized net premiums	63,095,064		
Unamortized deferral on refunding	<u>29,307,433</u>		
Bonds payable - net	<u>\$1,550,750,843</u>		

The Trust has no taxing power, and the State of New Jersey is not liable for the bonds of the Trust. The revenue bonds are not secured by the Trust, only by revenues and repayment of loans and investments. The bonds are insured by the Municipal Bond Investors Assurance Corporation, the Financial Guaranty Insurance Company or the AMBAC Indemnity Corporation.

**E. ADVANCE REFUNDING**

When conditions have warranted, the Trust has sold various issuances of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issuances were used to currently refund the outstanding bond issuances or to deposit, in an irrevocable escrow fund held by the escrow agent, an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Trust's financial statements.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

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NOTES TO FINANCIAL STATEMENTS

**E. ADVANCE REFUNDING (CONTINUED)**

These transactions defeased the outstanding bond issuances with a resultant reduction in annual debt service during the term of the issuances. The savings, together with any accounting gain or loss to be reported in the year of the refunding, accrue to the respective participants.

Refunded bonds outstanding at June 30, 2010, are comprised of the following:

Issue	Principal Amount Outstanding June 30, 2010
<b>2008 Refunding</b>	
1998 Series A	\$ 22,965,000
Total	<u>\$ 22,965,000</u>
<b>2007 Refunding</b>	
2001 Series A	\$ 51,940,000
2002 Series A	35,640,000
2004 Series A	38,830,000
1996 Series B	2,325,000
Total	<u>\$ 128,735,000</u>
<b>2006 Refunding</b>	
2000 Series A	\$ 39,210,000
1999 Series A	32,670,000
1997 Series	15,775,000
1996 Series A	17,935,000
Total	<u>\$ 105,590,000</u>
<b>2004 Refunding</b>	
1995 Series A	\$ 11,710,000
Total	<u>\$ 11,710,000</u>
<b>2003 Refunding</b>	
1993 Series	\$ 13,475,000
Total	<u>\$ 13,475,000</u>
<b>1998 Refunding:</b>	
1991 Series A	\$ 8,610,000
1992 Series A	1,505,000
1992 Series B	3,470,000
1994 Series A	4,995,000
1994 Series B	7,850,000
Total	<u>\$ 26,430,000</u>
<b>1997 Refunding:</b>	
1991 Series B-uninsured	\$ 2,560,000
Total	<u>\$ 2,560,000</u>

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**F. LOANS RECEIVABLE**

The Trust provides loans to local governmental units and water purveyors to finance allowable costs of clean water and safe drinking water projects. The various Trust loans are grouped into a pool or pools and funded with the proceeds of Trust bonds or other obligations. Loan repayments are required at such times and in such amounts as will pay the debt service on the bonds as it becomes due. These loans, which are backed by the full faith and credit of each borrower, are repayable over 20 years and bear interest at rates from 2.0% to 6.6% per annum.

The Trust's loans receivable balance of \$1,196,995,525 and \$1,103,583,170 as of June 30, 2010 and 2009, consisted of outstanding loans issued of \$1,501,494,824 and \$1,417,983,423, net of undisbursed loan funds of \$304,499,299 and \$314,400,253, respectively.

Annual maturities for loans receivable are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>
2011	\$ 84,956,382
2012	93,886,121
2013	92,949,814
2014	91,886,432
2015	91,580,229
2016 through 2020	479,847,198
2021 through 2025	394,031,742
2026 through 2030	172,356,906
	<u>\$1,501,494,824</u>

**G. TRANSFER TO STATE OF NEW JERSEY**

The Interim Financing Program account was initially funded by a transfer from the State. The source of the transfer was repayments from prior loans made by NJDEP. For years ended June 30, 2010 and 2009, the Trust transferred back to the State \$97,000,000 and \$10,000,000, respectively, from this fund.

**H. INTERIM FINANCING ACTIVITY**

"Net Interim Financing Activity" represents the balance in the Interim Financing Program account. The balance is the net of the redeemed interim loans from the 2009 Financing Program and the outstanding interim loans for the 2010 Financing Program as of June 30, 2010 and 2009, respectively.

## NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

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### NOTES TO FINANCIAL STATEMENTS

#### I. MASTER PROGRAM TRUSTEE

The New Jersey Wastewater Treatment Financing Program instituted the Master Program Trustee. Repayments from all loans made to borrowers by the Department of Environmental Protection since 1989 are now paid to US Bank (the "Master Program Trustee"). These funds provide additional security for the 1995 Trust Bonds and for any new Trust Bonds issued thereafter. These funds are held by the Master Program Trustee for up to a period of one year, after which time the funds are transferred to the State of New Jersey. The balance in the Master Program Trustee Account as of June 30, 2010 and 2009, was \$32,287,567 and \$33,221,921, respectively. This balance is not an asset of the Trust; however, it is available to pay obligations of the Trust in case of default by program participants. Therefore, this amount is not reflected in the Trust's financial statements.

#### J. NET ASSETS

The Trust's net assets are categorized as follows:

- Restricted for debt service
- Restricted for Interim Financing Trust Loan Program
- Unrestricted

Assets restricted for debt service include net assets that have been restricted in accordance with the terms of an award or agreement or by State law. Assets restricted for interim financing are restricted for short-term financing of allowable costs of environmental infrastructure projects. Unrestricted assets include all other net assets.

#### K. OTHER MATTER

An Event of Default currently exists under the terms of the Indenture (the "Indenture") pursuant to which the Trust issued its Environmental Infrastructure Revenue Bonds (Bergen County Improvement Authority - EnCap Golf Holdings, LLC Project), Series 2005 (the "NJEIT-EnCap Bonds"). Such Event of Default has created a corresponding Event of Default under the Loan Agreement, pursuant to which the Trust loaned the proceeds of the NJEIT-EnCap Bonds to EnCap Golf Holdings, LLC ("EnCap") for its Meadowlands remediation project. Simultaneously with the issuance of the NJEIT-EnCap Bonds, a Letter of Credit was issued by a bank syndicate (the "Letter of Credit Provider") to fully secure the payment of the principal of and interest on the NJEIT-EnCap Bonds. The referenced Events of Default were triggered by the failure of EnCap to satisfy various reimbursement obligations to the Letter of Credit Provider. In response to the occurrence of the Event of Default under the Indenture, the Letter of Credit Provider exercised remedies to which it is entitled thereunder. Specifically, on September 28, 2007, the Letter of Credit Provider directed a mandatory tender of the NJEIT-EnCap Bonds, which mandatory tender was funded by a draw on the Letter of Credit. As a result, the Letter of Credit is no longer outstanding and the Letter of Credit Provider became the holder of 100% of the outstanding NJEIT-EnCap Bonds. Such NJEIT-EnCap Bonds are without recourse to the general funds of the Trust.

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**  
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NOTES TO FINANCIAL STATEMENTS

**K. OTHER MATTER (CONTINUED)**

On May 8, 2008, EnCap filed a voluntary petition for relief pursuant to Chapter XI of the United States Bankruptcy Code. An order dismissing the bankruptcy case was entered by the Bankruptcy Court on February 3, 2009. A Final Decree indicating that the case had been fully administered was entered on March 30, 2009.

On March 22, 2010, a final judgment was issued by the United States District Court for the Southern District of New York in Case 1:09-cv-01262-PAC, *Wachovia Bank, National Association v. EnCap Golf Holdings, LLC et al.*, ordering The Bank of New York Mellon, as Trustee pursuant to the Indenture (the "Prior Trustee"), to pay to the Letter of Credit Provider, as holder of 100% of the outstanding NJEIT-EnCap Bonds, all amounts on deposit in the funds and accounts held by the Prior Trustee pursuant to the Indenture. Pursuant to such order and in accordance with the provisions of Section 8.07 of the Indenture, such amounts, approximately \$42.3 million, were applied on May 5, 2010 (i) first, to the payment of the fees, costs and expenses of the Prior Trustee and the Letter of Credit Provider and their respective counsel, (ii) second, to the payment of accrued and outstanding interest on the NJEIT-EnCap Bonds, and (iii) third, to the payment of principal of the NJEIT-EnCap Bonds.

On August 13, 2010, (i) in accordance with that certain Agreement of Removal, Appointment and Acceptance, by and among the Prior Trustee, the Letter of Credit Provider and American Home Assurance Company ("American Home"), American Home replaced the Prior Trustee as trustee with respect to the NJEIT-EnCap Bonds pursuant to the Indenture, and (ii) in accordance with that certain Assigned Assets Sale and Assignment Agreement, by and between the Letter of Credit Provider and American Home, American Home acquired all of the NJEIT-EnCap Bonds from the Letter of Credit Provider.

The collateral securing the NJEIT-EnCap Bonds does not secure any of the annual financing programs of the Trust. Therefore, the events described above with respect to the NJEIT-EnCap Bonds and EnCap will have no impact upon any of the annual financing programs of the Trust and the payment of principal and interest with respect thereto.

**L. ROUNDING**

Some schedules in the financial statements may have slight differences due to rounding.

**M. SUBSEQUENT EVENTS**

Management has evaluated subsequent events that occurred after the balance sheet date but before October 8, 2010, the date the financial statements were available to be issued. The following items were determined by management to require disclosure in addition to events discussed in Note K above:

On August 4, 2010 the Trust sold \$73,885,000 of Environmental Infrastructure Refunding Bonds, Series 2010A which refunded all or in part the 1995A, 1998A, 2000A, 2001A, 2003A, 2004A and the 2006A Series Bonds, and Series 2010B, which refunded all or in part of the outstanding 1999B and 2000B Series Bonds. Closing on the Refunding Bonds took place on August 18, 2010.

The Bond issuances were sold by competitive bid. The Series 2010A Refunding Bonds were sold on a tax exempt basis and the series 2010B Refunding Bonds were Alternative Minimum Tax. The bid for the 2010A Series was awarded to Banc of America Merrill Lynch with a true interest cost of 2.35%. The winning bid for the 2010B Series was awarded to Janney Montgomery Scott, Inc. with a true interest cost of 2.88%.





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Infrastructure Trust**

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